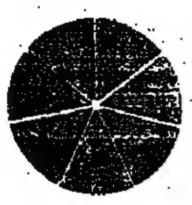
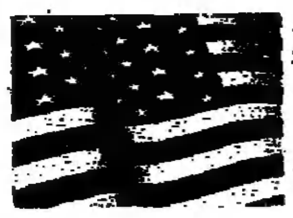


Japan's opposition
Seven fragments in search of a glue
Page 10



Martin Feldstein
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FINANCIAL TIMES

Europe's Business Newspaper THURSDAY AUGUST 4 1994 D8523A

Akzo Nobel beats forecasts with net profit gain of 33%

Economic recovery in Europe helped Akzo Nobel, the Dutch-based chemicals group, to lift net profit by nearly 33 per cent in the second quarter, exceeding analyst forecasts.

The company, which said the results were better than it had expected, attributed part of the gains to synergy created by Akzo's acquisition last year of Nobel, the Swedish chemicals and coatings group. Page 13

S.G. Warburg settled a "dealing dispute" between itself and Swiss Bank by agreeing to make a charitable donation on Swiss Bank's behalf. Page 13; Lex, Page 12

Berlusconi gains breathing space: Silvio Berlusconi, Italy's prime minister, has gained an essential breathing space for his embattled government in the wake of Tuesday's parliamentary debate on the conflict of interest with his Fininvest media empire. Page 2

Bentsen appears before bank committee: US treasury secretary Lloyd Bentsen told the Senate banking committee that he did not know about contacts between his top staff and the White House on the Whitewater affair until well after the controversial meetings occurred. "I have turned the Treasury Department upside down. I've turned my memory inside out," Bentsen said. "We went through thousands and thousands of documents and can't find one written briefing to me on these White House meetings." Page 4

Gibraltar attorney-general quits: The attorney-general of Gibraltar, Mr John Blackburn Gittings, has resigned following a difference of views with the governor, Field Marshall Sir John Chapple.

New life for French reactor: France's Superphénix, built as the world's largest fast breeder reactor to produce electricity, is to start a new life as a centre of research into the burning of plutonium and nuclear waste. Page 2

Fresh 'tuna war' threatened: Spanish fishermen threatened to re-ignite a "tuna war" and block ports after European Commission inspectors found British boats fishing with oversized nets off the Galician coast.

Terrorists bomb N Ireland base: Three British soldiers were injured when suspected IRA terrorists fired a mortar bomb at a police and army base in Northern Ireland.

Bayerische Vereinsbank, the Bavarian banking group, announced that its first-half operating profits rose 8.7 per cent to DM574m ($366m) from the first six months of last year, despite losses on own-account trading and sharply increased capital spending. Page 13

BCCI executive jailed: Imran Imam, a former accounts executive of the Bank of Credit and Commerce International was jailed for three years by a British court despite unprecedented pleas for clemency from US prosecuting authorities. Page 5

UK to decide on new aircraft: The UK Ministry of Defence indicated that it would take the final decision on whether Britain would buy the US Hercules or the European Future Large Aircraft as a replacement for the Royal Air Force's ageing transport fleet. Page 12

US economic growth slowing: The US index of leading indicators rose by a modest 0.2 per cent in June, the latest sign that economic growth is slowing. Page 4

Harrisons & Crosfield, the British industrial conglomerate, voiced concern over prospects for the UK housing market as it unveiled a better than expected 24 per cent rise in interim profits to £58.9m ($92.8m). Page 13; Editorial Comment, Page 11; Lex, Page 12

Westland, the UK helicopter manufacturer, yesterday settled a 14- year legal battle with the Arab Organisation for Industrialisation. Page 13

India parliament boycott: The opposition in India boycotted both chambers of their parliament after party leaders carried out a decision to take politics "to the streets". Page 3

More embassies to use Rolls-Royce: The British foreign office has increased from five to nine the number of embassies allowed to use the Rolls-Royce car.

STOCK MARKET INDICES

FT-SE 100:	3,160.4	(+2.9)
Yield	3.97	
FT-SE Eurotrack 100	1,415.07	(-0.95)
FT-SE-A All-Share	1,579.21	(+0.2%)
Nikkei	20,632.73	(-27.40)
New York: lunchtime		
Dow Jones Ind Ave	3,784.25	(-11.97)
S&P Composite	460.30	(-0.26)

US LUNCHTIME RATES

Federal Funds:	$4\frac{5}{16}$%
3-mo Treas Bills: Yld	4.439%
Long Bond	$88\frac{1}{8}$
Yield	7.415%

LONDON MONEY

3-mo Interbank	$5\frac{1}{2}$%	(same)
Liffe long gilt future:	Sep $102\frac{7}{32}$	(Sep $103\frac{1}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$18.61	(same)

GOLD

New York Comex (Dec)	$383.1	(384.4)
London	$378.7	(380.45)

STERLING

New York lunchtime:		
$	1.538	
London:		
$	1.5389	(1.5396)
DM	2.4317	(2.4346)
FFr	8.3107	(8.3207)
SFr	2.054	(2.0534)
Y	154.260	(154.594)
£ Index	79.3	(same)

DOLLAR

New York lunchtime:		
DM	1.58125	
FFr	5.4067	
SFr	1.3365	
Y	100.60	
London:		
DM	1.5792	(1.5814)
FFr	5.3969	(5.4046)
SFr	1.3339	(1.3338)
Y	100.175	(100.415)
$ Index	63.5	(63.6)
Tokyo close Y 100.33		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	Ikr215	Neth	Fl 4.00	Slovak Rp	KS150
Cyprus	CŁ1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.50	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.20
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32.000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

Ricoh accuses Samsung over facsimile patents

By Michiyo Nakamoto in Tokyo

Two Asian electronics companies are battling over the rights to the technology behind the facsimile machine record slips which enable users to keep track of pages sent and the numbers to which faxes are transmitted.

Many users discard the record slips, but the use of the "administrant data" technology has prompted Ricoh, the Japanese office equipment maker, to file a complaint with the US International Trade Commission against Samsung Electronics, charging the Korean company with patent infringement and claiming unspecified damages.

Ricoh contends that Samsung has infringed two facsimile patents and has asked the ITC to prohibit Samsung from importing, marketing, demonstrating, distributing or selling in the US, fax machines that infringe the patents. Most fax machine makers pay royalties to use the Ricoh technology under licence.

Ricoh said yesterday it was forced to take action against Samsung after repeated negotiations over several years had failed to result in a satisfactory agreement. The Japanese company has filed a complaint with the ITC and the New Jersey district court seeking a permanent injunction against Samsung and claiming damages.

The move by Ricoh illustrates the growing friction between Japanese and Korean companies in international markets, especially in areas where the Japanese have long been market leaders. The two countries agreed last December to resume co-operation on patent processing issues, after a gap of seven years following complaints that Korean companies were infringing on patents.

Japanese electronics makers have dominated the facsimile market, which last year was worth Y355bn ($3.55bn) in the Japanese market alone, according to the Electronic Industries Association of Japan. However, Korean and Taiwanese manufacturers have increasingly eaten into the Japanese share, particularly at the lower end of the market for thermal paper faxes where there is little difference between machines.

Ricoh, which also has the largest share of the Japanese market, sold 2.3m fax machines in the US last year, according to BIS Strategic Decisions, a high technology consultancy, which forecast the number would rise to 3.9m in 1998.

Ms Debra Waggoner of the American Electronics Association said yesterday: "For the electronics industry, protection of intellectual property rights is crucial." She said that the US industry had been getting "signals" from Japanese companies that they were "going to be more pro-active in protecting their rights".

Japanese dominance is also being threatened by the impact of a high yen. Exports fell 13 per cent in 1993 from the previous year, according to the EIAJ.

Bid to force release of opposition leader

Lagos comes to a halt as strikers challenge regime

By Paul Adams in Lagos

Government offices, banks and factories in Nigeria's biggest city, Lagos, were deserted yesterday on the first day of an indefinite general strike called to force the military government to release the detained opposition leader, Mr Moshood Abiola.

There were outbreaks of violence in the city, as police attempted to dismantle barricades and disperse protesters. Three people were reported killed.

In Abuja, the capital, the trial of Mr Abiola, the unofficial winner of last year's presidential election, was adjourned again, this time until August 16. He is being tried for treason after he declared himself president on June 12, the anniversary of last year's vote.

The judge said he needed time to decide whether his court had jurisdiction. At last week's hearing, the prosecution was forced to admit that it lied to the court when denying that it had received the defence's petition.

As the prosecution case falters, Gen Sani Abacha's government seems unsure how to end the deadlock. It appears to have rejected a strategy whereby Mr Abiola could be released and installed as head of a government of national unity.

Mr Abiola's family, who are allowed access to him in detention in Abuja, say that he has twice refused release on condition that he keep silent about claims to the presidency.

Support for the strike is strongest in the south-west, where members of Mr Abiola's Yoruba tribe see a chance to wrest political power from the north Hausas and Fulanis who have dominated government. Northern branches of the National Labour Congress are disregarding the strike, which they say is not in the national interest.

The shutdown has completed a process begun over a month ago. A combination of fuel shortages, lack of transport, and earlier political strikes have been gradually bringing the commercial capital of Lagos to a halt.

People going to work risk intimidation from street gangs or being caught in sporadic violence, as anti-government protesters become more mobile to elude armed police. A strike by air traffic controllers, and lack of aviation fuel in the south, has grounded domestic flights but military air traffic controllers have kept the international airport open.

Labour representatives are due to hold talks with the military government today. Central to discussions will be the disruption to oil production, which is down by at least 30 per cent.

The oil workers, who went on strike a month ago, say the release of Mr Abiola will not get them back to work. They want the regime to make way for elected civilian rule. And they want it to pay arrears to the oil companies, estimated at $800m, which have led to job losses and recession in the industry.

"Abiola's following is growing among people who were marginalised," a businessman from the eastern city of Port Harcourt said yesterday. "Some do not like to see a big man brought low, and others feel a sense of outrage at the government which has far less mandate to rule than he has. But people are also impressed that Abiola is going through a spell in jail and is not doing it just for himself."

Hot reception: Tang Shubei (left), China's chief Taiwan negotiator, narrowly escapes being pelted with eggs by independence activists chanting 'Chinese bandits go home' on his arrival at Taipei's international airport yesterday for four days of talks beginning today with his Taiwanese counterpart, Chiao Jen-ho. The demonstrators also burned People's Republic of China flags, but Mr Tang, the most senior Chinese official to set foot on what Beijing regards as a renegade island province, also missed a crowd of supporters who had come to welcome him when he was whisked out of the airport through a secret exit. Report, Page 12 Picture: Reuter

Irish PM criticised over beef exports

By John McManus in Dublin

Ireland's coalition government came under pressure yesterday following criticism of Mr Albert Reynolds, the prime minister and former industry and commerce minister, for his decision to grant more than I£100m ($151m) in credit insurance for beef exports to Iraq six years ago.

Following publication of a long-awaited official report into the affair earlier this week, Mr Dick Spring, the deputy prime minister and Labour party leader, described Mr Reynold's actions as a "major failure of public policy".

The report has further strained relations between Mr Reynold's Fianna Fail and Labour, the junior government partner, already at odds over Northern Ireland and over a labour dispute at TEAM Aer Lingus, the maintenance arm of the Irish airline.

As industry and commerce minister, Mr Reynolds approved export credit guarantees to the Goodman Group, Ireland's biggest beef processor and exporter, for meat exports to Iraq. The credits were granted between 1987 and 1988.

A tribunal to investigate a raft of allegations against Goodman Group was set up in May 1991, before the Labour-Fianna Fail coalition government was formed in 1992.

The report of the beef tribunal concluded that Irish taxpayers were exposed to a potential liability of more than I£100m as a

Continued on Page 12

Rumours work all year round in Brussels

By Emma Tucker in Brussels

If there is one thing continental Europeans can teach their British colleagues, it is the importance of *les grandes vacances*.

On August 1 somebody pulls a plug in Europe's administrative centre. Overnight Brussels empties; the concept of staggered holidays scathingly dismissed by officials, restaurants, lobbyists and translators.

Even the tramp who plays an electric organ outside the city's main metro station has taken his leave for the month.

All that are left are a duty press officer, a duty commissioner, and a few hard-working officials – mainly from the competition directorate who have to be here when merger cases are notified.

"It's as if there is a big party somewhere else to which I have not been invited," said a senior competition official yesterday.

This time, though, some of the hard core left behind believe colleagues settling down on Mediterranean beaches to read the latest Brussels-based thriller – Cartel, by Derek Fee – may be missing the action.

With a new president – Mr Jacques Santer, the Luxembourg prime minister – due to take office in four months, and a

Continued on Page 12

Paris seeks tighter security for staff in Algiers after deaths

By David Buchan in Paris

France sent its foreign and defence ministers to Algiers yesterday and foreshadowed tighter security for embassy staff following the the killing of five French gendarmes and consular officials in the Algerian capital.

Mr Alain Juppé, the foreign minister, and Mr Francois Léotard, the defence minister, flew to Algiers to pay homage to the victims, shot early yesterday by terrorists who were trying to drive a car bomb past a French school and into a housing complex where many French official personnel live. The car bomb was later defused.

The incident brings to 15 the number of French, and to more than 50 the number of foreigners, killed by Islamic fundamentalists contesting the Algerian government's suspension of elections two years ago which the now outlawed Islamic Salvation Front (FIS) was poised to win. Since last autumn, the fundamentalists' hardline factions have targeted foreigners as a means of bringing international pressure to bear on the authorities.

Before leaving for Algiers, Mr Léotard said he would see what could be done to "improve protection". He explained that yesterday's attack had taken place during the changing of the gendarmes' guard at the school and that three gendarmes had been killed and a fourth wounded, in addition to two consular officials killed.

The French foreign ministry issued a statement calling on the Algerian authorities to guard the French community better and to hunt down yesterday's killers as well as reiterating the warning for all French to stay away from Algeria. There are believed to be some 2,000 French nationals as well as a much larger number of dual passport holders in the former French colony.

The foreign ministry statement said: "France condemns this new barbarian act against the very people it had decided to keep in Algeria to ensure its presence".

Fearing a worse alternative in the creation of an Islamic theocracy, France has so far given reluctant and partial backing to the current Algerian regime. Paris has called for the government to open a dialogue with moderate Islamic groups, while taking the lead in organising international aid for Algeria.

After helping to mobilise an International Monetary Fund credit and debt rescheduling with the Paris club, France last month gave Algeria another FFr6bn ($1.1bn) export credit. But yesterday's killings are an unwelcome reminder to Mr Juppé of the truth of his recent remark that the present situation is not tenable.

CONTENTS

Berlusconi gains a breathing space

By Robert Graham in Rome

Mr Silvio Berlusconi, the Italian prime minister, has gained an essential breathing space for his embattled government in the wake of Tuesday's parliamentary debate on the conflict of interest with his Fininvest media empire.

This was the majority view among political commentators yesterday as they analysed the impact of Mr Berlusconi's most difficult parliamentary performance at the close of his first 100 days in office.

The debate showed the opposition had no wish to bring the government down and that, for the time being, there was no alternative to the right-wing coalition. Mr Berlusconi thus has a chance to recover his strength during the summer break and to prepare for what is likely to be a "hot autumn".

During the four-hour debate, which went on late into the night, Mr Berlusconi made clear his determination to resolve the increasingly problematic conflict of interest between his role as prime minister and his ownership of Fininvest, Italy's second largest private group. But it was also evident that the problem is so complex that it can be solved neither quickly nor easily.

Mr Berlusconi back-tracked on the proposals he made only last Friday to avoid a conflict of interest, declaring himself willing to accept any reasonable solution. This means his idea of a five person commission to monitor the conflict of interest could be scrapped.

Mr Umberto Bossi, leader of the populist Northern League, failed to come up with his much-promised counter proposals. However, he said the League would have concrete details soon based on a two-stage separation of Mr Berlusconi from Fininvest. The first step would be to separate him from his proprietary interest, the next to place such interests in a US-style blind trust.

The opposition claimed there was no option but to sell Fininvest, especially the commercial television interests. But again no details were provided. Mr Berlusconi himself, while willing to be flexible, still seems to draw the line at selling his stake in a group he created from nothing in 30 years.

The conflict of interest was only one aspect of the debate. Mr Berlusconi used the occasion to appeal to his electorate, via live television coverage, reassuring them of the government's stability and that the economic recovery was gathering pace.

At another level, the debate proved a predictable contest, with each player laying down markers for battle in the autumn. Mr Bossi showed he will be Mr Berlusconi's most redoubtable opponent and difficult ally. The final words of his speech, which time rules prevented him from saying, were: "You are free to do what you want, but it must be very clear – this cannot be against the interests of the country."

How the cartoonist Chiappori saw the affair in yesterday's Corriere della Sera: ".... so, if I have to choose an impartial administrator for Fininvest, I prefer to choose him at the highest level.... I am ready to place Fininvest in the hands of God!"

Bank airs its doubts on the budget

Governor Fazio has no quarrel with spending cuts, but wonders if they will bring the expected savings, writes Robert Graham

For the second year in a row the Bank of Italy finds itself in the uncomfortable position of casting judgment on economic policies formulated by one of its own who has passed over to the government.

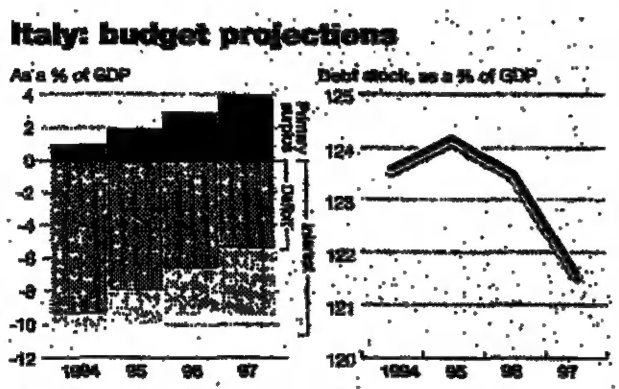
First, it was the policies of a former governor, Mr Carlo Azeglio Ciampi, who became prime minister. Now, it is Mr Lamberto Dini, the bank's former director-general, who has been treasury minister since May, and is the key figure in the Berlusconi government's economic team.

In neither case can the bank be accused of being too soft. The underlying theme has been to hammer home the dangers of failing to tackle with sufficient energy the problem of Italy's public finances. This was evident this week when Mr Antonio Fazio, the bank's governor, appeared before parliament to comment on the outlines of the 1995 budget and the macroeconomic framework for 1995-1997.

The government, he said, had inherited a budget deficit far greater than originally projected despite interest rates falling more than expected. But, having got in this little dig at Mr Ciampi, he then made several telling observations, which, despite the measured language, could be interpreted as a friendly warnings.

The first related specifically to the 1995 budget which seeks to hold the deficit down to 9.4 per cent of gross domestic product, relying on a mix of spending cuts and revenue raising measures. Mr Fazio did not quarrel with Mr Dini's aim to find L45,000bn (£18.5bn) in extra funds next year – an ambitious target for any Italian government. However, he voiced concern that the spending cuts would not produce the required sums and that too much of the new revenue was coming from one-off measures.

Italy: budget projections



Source: Treasury/Bank of Italy

This was not just a reference to the unresolved dispute between the government and the unions over the extent of cuts in Italy's generous state-run pensions scheme. It also raised a question mark over cuts proposed in health care and hospital management. At the same time he noted that the government had yet to make any provision for the recent constitutional court decision ordering back-payments on pensions totalling more than L30,000bn.

On the revenue side, Mr Fazio appeared anxious about the way the government was planning to raise money through temporary measures rather than create sustained sources of funding. The main source of L18,000bn in new revenue will be a tax amnesty and a pardon on illegal buildings. Similar measures in the past have tended to yield less than expected.

He also implicitly questioned whether the government was right in its determination to avoid increasing the fiscal pressure. He pointed out that it remained below that of France and Germany "and other countries which have the same pattern of public sector expenditure as Italy".

More generally, he observed: "The experience of the past five years shows just how costly it has been continuously missing the targets; likewise, it has shown that adopting one-off measures has been counter-productive since both spending and the deficit have systematically increased."

Mr Fazio's second friendly warning concerned employment, and was aimed specifically at Mr Silvio Berlusconi, the prime minister, who promised to create a million jobs during his election campaign. The governor doubted whether the private sector could create more than 350,000 jobs over the next three years – even with the positive effect of easing hire and fire laws plus giving tax incentives for job creation. Public sector employment would decline, he said.

But perhaps his real warning was on the effect of political uncertainties on the lira. In the second quarter of the year, he said, there had been a net outflow of portfolio investments to the tune of L20,600bn. Of this, L11,700bn had taken place in June. These capital outflows had weakened the currency, especially against the D-Mark.

The lira, he insisted, was as much as 10 per cent undervalued against the D-Mark, especially with exports still booming and a domestic recovery beginning against low inflation. If the lira remained weak, there was a risk of renewed inflation. Italy then could move into a vicious cycle, with interest rates being pushed up once again. As it is, interest rates in Italy are now more than 3 percentage points higher than in Germany.

A rise in interest rates affects Italy in particular, with its huge stock of debt, now equivalent to 123 per cent of GDP. A 1 percentage point rise increases the annual borrowing requirement by some L15,000bn. In other words, it could wipe out the equivalent of a third of all the new revenues the government is pledged to find next year.

The government fully recognises the problem of the debt stock in its economic planning document and projects that it will peak at 124 per cent of GDP next year before falling back. But its sheer size and the continuous need to fund it makes Italy so vulnerable to a crisis of confidence.

In parliament yesterday, Mr Dini appeared to take on board the governor's comments in the spirit they were offered, well aware of the difficulties ahead in fleshing out the details of the budget in the autumn. But he was also bullish on the economy. The strong recovery in progress could see next year's growth exceed 2.7 per cent, he said.

The government's economic team will be given only a small breathing space by the summer break since concrete proposals for spending cuts will have to be finalised by mid-September. In the meantime, a hint of the problems ahead came this week from the senate where the government lacks a clear majority and where the health, labour and industry commissions rejected various budget proposals.

These could pass in a full house; but the government cannot take for granted a safe passage for the most controversial of its proposals – the pardon on buildings constructed illegally. This proposal has been criticised by the mayors of most large cities and attacked by the environmentalists as condoning the large scale speculative development that has blighted many municipal suburbs. If the scope of the pardon is reduced as result of these protests, the government faces the difficult task of finding replacement revenue.

Zurich's services sector gets back to basics

By Ian Rodger in Zurich

Zurich has long prided itself on providing the finest and safest in banking and shopping for the world's rich. Soon the city may be able to offer them similarly trustworthy services of a more traditional kind. Zurich is about to get its first brothel.

An application has been lodged with city authorities seeking to change the use of a building in Allmendstrasse to "erotic services, a brothel from offices and shops" (erotische Dienstleistung, Bordell anstelle von Büro- und Gewerbesräumen).

The detailed plans call for the creation of 12 apartments (Arbeitsplätzen) to be rented to prostitutes individually, administration and medical rooms and a "contact and recreation room".

This is not a joke, but a well meaning and, of course, typically practical and commercial, Swiss response to a recent change in the law which decriminalises prostitution in some circumstances.

The project is the brainchild of Mr Valentin Landmann, a colourful Zurich lawyer who has fought for years to legalise prostitution. Mr Landmann's view is that the power of pimps over prostitutes can only be removed if women are allowed to practise the oldest profession freely.

The Swiss federal government appeared to come to a similar view two years ago, altering the criminal code article dealing with prostitution so that each canton could determine in what circumstances it was a criminal offence.

This has left the situation uncertain in Zurich, and Mr Landmann takes the view that if a prostitute practises her trade of her own free will, it cannot be a criminal offence.

He and Mr Erwin Herren, the builder behind the project, plan to rent the rooms directly on a daily or weekly basis, precisely to prevent pimps from interposing themselves. Prices would be similar to those of a middle class hotel, they say.

They have been careful enough to take a purchase option on a building where there is likely to be little disturbance to, or objections from, neighbours. It sits half under an elevated motorway on a busy trunk road and is surrounded by parking space.

A waitress at the Restaurant Höcklerbrücke 200m away said yesterday that the news caused much ribald comment among regulars at first. "But we do not think it will make much difference. We are full anyway."

The Zurich authorities concerned with these matters – the police, the justice department and the building and planning department – have all given a cautious welcome to the application.

They see it as a way of getting the women off the city's otherwise pristine streets. In the past few years, pimping and streetwalking have reached distressing levels in Zurich, being an inevitable adjunct to the city's oversized hard drug community.

Coincidentally, the brothel application comes just after the Swiss federal finance ministry has ruled that, for purposes of its new value added tax, prostitution will be classified as a service, not an element of medical care, and therefore will be taxable.

There have been many jokes about how diligent Vatmen might enforce this decision, but they now know where to begin their patrols.

EUROPEAN NEWS DIGEST

German jobless said to hit 3.7m

German unemployment surged by 100,000 to around 3.7m last month, after easing slightly in June, according to a senior official from the federal labour office. Ms Ursula Engelen-Kefer, chairman of the labour office board, pre-empted today's release of official figures with a claim that numbers out of work in the west had risen almost 19 per cent this year. The jobless total in the east was 8 per cent higher, she said. Ms Engelen-Kefer, also a board member at the DGB trades union federation, was apparently attempting to overshadow more optimistic statements from the office's president, Mr Bernhard Jagoda. He said earlier that the annual average jobless rate in the west this year could turn out to be less than 2.6m, compared with the office's official forecast of 2.67m. German jobless figures usually increase at the start of the holiday period, when large parts of industry fall into the *Sommerloch* or "summer hole". Last July the recession and the seasonal downturn combined to increase unemployment by 160,000.

West German chemicals companies increased their turnover by 4 per cent to more than DM83bn (£34.2bn) in the first half of the year, the VCI industry association said yesterday. Incoming orders showed foreign demand, which led the recovery, was continuing to rise, while domestic bookings were an increasingly important factor. However, the association warned that prices were still unsatisfactory – down an by an overall average of 0.1 per cent in the first half – and further structural changes and job losses were unavoidable. *Christopher Parkes, Frankfurt*

Bosnian Serbs reject peace plan

Bosnian Serb leaders again rejected the international peace plan yesterday, brazenly defying their patrons in Serbia. The self-styled Bosnian Serb assembly was expected to follow the recommendation of its leaders in a meeting late yesterday evening. However, a leading Bosnian Serb leader said there was likely to be a referendum on the peace plan. Velibor Ostojic said: "Only the people can give the final verdict on such an important question. This question cannot be answered by the president himself [Bosnian Serb leader Radovan Karadzic] but exclusively by the people." Yesterday's announcement coincided with increased fighting around Sarajevo, emphasising that the Bosnian Serbs are in no mood to back down. Final rejection could put Bosnian Serbs on a collision course with the Serbian government, which on Tuesday threatened to cut off all aid to its kinsmen in Bosnia. Serbia is widely blamed for inciting the Serb rebellion in Bosnia more than two years ago, but has been suffering under UN-imposed economic sanctions for its role in the conflict. *Agencies, Bosnia*

Federal investment increased

Federal investment in German states will increase next year by DM10bn to DM74.4bn (£30.7bn), most of which is earmarked for the five eastern states, Mr Jürgen Echternach, state secretary at the finance ministry, said yesterday. Of the extra DM10bn, over DM6.6bn will be used as subsidies, financial incentives and support for the privatised sector and other investment projects. The remaining DM3.4bn will be allocated to the Treuhand privatisation agency. However, Mr Echternach warned that overall public subsidies next year would decline by 10 per cent to DM19bn. *Judy Dempsey, Berlin*

Expelled Kurdish MPs on trial

Six former Kurdish deputies ousted from Turkey's parliament for supporting Kurdish separatism went on trial yesterday on charges of treason. Mr Hatip Dicle, the chairman of the now banned pro-Kurdish Democracy Party (DP), Mr Ahmet Turk, Mr Orhan Dogan, Mr Sirri Sakik, Mr Mahmut Alinak and Ms Leyla Zana, have been in jail since March. The indictment was supported with video cassettes showing the former deputies at rallies organised by the Kurdish guerrilla organisation, the Kurdistan Workers Party (PKK), and tapes of telephone conversations with the PKK's fugitive leader Mr Abdullah Ocalan. A Turkish military spokesman said Turkish warplanes have struck rebel Kurdish targets in northern Iraq twice since Sunday, killing at least 150 guerrillas. *Agencies, Ankara*

Swedish spy returns home

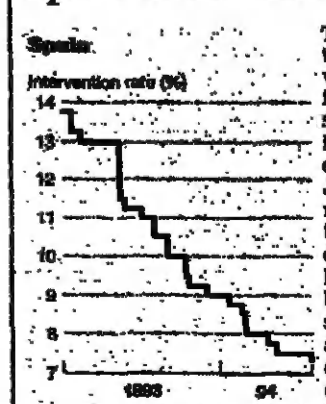
There was an unexpected twist to Sweden's most notorious Cold War spy scandal yesterday when Stig Bergling, who served as a double agent for the Soviet Union in the 1970s, returned home and gave himself up. Bergling was convicted of spying for Moscow and sentenced to life imprisonment in 1979 but escaped to Finland in 1987 during an unsupervised conjugal visit to his wife. Bergling had been recruited to the security police despite warnings from colleagues that he was unreliable. He was caught after Israeli intelligence services arrested him during a visit to Tel Aviv in 1979. He and his wife were said yesterday to have returned chiefly to resume contact with their children. He informed the government in advance, but officials denied any deal had been struck. Mr Carl Bildt, the prime minister, said Bergling would serve out his prison sentence. *Hugh Carnegy, Stockholm*

Court backs consumer rights

A Moscow municipal court yesterday delivered the first legal blow in post-communist Russia for consumer rights. In a sign that Russia is gradually adopting the "customer is always right" philosophy of capitalism, the court awarded Mr P Gusev 2.318m roubles (£574) for a faulty video camera. The store involved, Kvikk, had suggested he have it repaired at his own expense, arguing that the warranty had run out. They also challenged his claim that he had purchased the machine at their shop. However, the court found in Mr Gusev's favour and ordered Kvikk to pay Mr Gusev the current price for the video camera (Russian inflation means it has increased by 220,000 roubles since January), legal fees and moral damages. *Chrystia Freeland, Moscow*

ECONOMIC WATCH

Spain trims benchmark rate



Source: Datastream

The Bank of Spain yesterday trimmed its benchmark intervention rate to 7.35 per cent from 7.50 per cent, its first cut since May 13. The markets believe a further cut can be expected in September if the July CPI figures, due in the middle of this month, show that inflation is continuing its downward trend. The Bank has room to manoeuvre because the peseta remains stable, underlying inflation is at an historic low of 4.4 per cent year-on-year, domestic demand remains flat and most wage increases have kept to around 3 per cent. The research department of Banco Central Hispano (BCH) estimates that GDP has grown by 2.5 per cent in the first five months of this year and that it will show 2 per cent growth overall in 1994. The forecast compares with the government's estimate of 1.3 per cent. BCH expects year-end short-term rates to stand at around 7 per cent in December. *Tom Burns, Madrid*

■ The number of corporate bankruptcies in west Germany rose 21 per cent to 6,000 in the first five months of the year, the federal statistics office said yesterday. A further 1,438 companies collapsed in the east. *Christopher Parkes, Frankfurt*

■ Spain's budget deficit fell by 22.8 per cent during the first seven months of this year compared to the same 1993 period, economy minister Pedro Solbes said yesterday. "The total deficit [to July 31] is 1.378 trillion pesetas compared to 1.782 trillion pesetas in the same period last year," he said.

Change of role for French fast breeder

By David Buchan in Paris and Judy Dempsey in Berlin

France's Superphénix, built as the world's largest fast breeder reactor to produce electricity, is to start a new life in the next few days as a centre of research into the burning of plutonium and nuclear waste.

The French nuclear safety authority yesterday gave the final go-ahead for the 1,300MW reactor to end its four-year shutdown, and the director of Superphénix at Creys-Malville, south of Lyon, said he hoped to be able to push the start button before Sunday.

Running Superphénix as a research reactor will cost FFr100m (£12m) a year, to be borne by France's Atomic Energy Commission and Electricité de France (EdF), the French utility that owns 51 per cent of the reactor. Half the money will be spent on a study into the burning of plutonium.

The restarting of Superphénix, primarily as an incinerator of plutonium and unrecyclable waste and only incidentally as a power generator, comes as Cogema, France's nuclear fuels agency, is trying hard to maintain important German reprocessing contracts.

Last week Greenpeace, the environmental action group, published a resumé of discussions between Cogema and Preussenelectkra (PE), a subsidiary of Veba, in which the latter said it wanted to make some changes to its 1990 contract with Cogema in an effort to limit its plutonium stocks.

Originally conceived in the fuel-short 1970s, Superphénix was designed to "breed" more plutonium than it consumes. But it is now to be switched to destroy more than it creates. Mr Jean-Louis Ricaud, Cogema's head of reprocessing, said yesterday that Superphénix's net consumption of 100kg of plutonium a year would be useful, but only marginally in the context of the 10 tonnes of plutonium which French reactors produce each year.

But Mr Ricaud said Cogema's contract renegotiation with PE began well before a recent legal change in Germany, dropping the previous requirement for German utilities to reprocess their spent nuclear fuel, and giving them the option of stocking it.

Mr Ricaud said he was confident of keeping his German clients, who account for 15 per cent of Cogema's FFr14bn a year reprocessing business, and who have helped fund the FFr30bn spent on the fuel recycling plant that Cogema has built for its foreign clients at La Hague in Normandy.

The change in Germany is the result of a compromise thrashed out between Mr Klaus Töpher, environment minister, and the opposition Social Democrats, to end a dispute which has frozen development of nuclear energy in Germany since the Chernobyl nuclear accident in 1986.

The German utilities will have to decide whether to continue current contracts with Cogema and British Nuclear Fuels or to seek an alternative site for direct disposal to the Gorleben salt mines in Lower Saxony. Gorleben, which is being financed by the utilities is not yet in use, and commissioning is running behind schedule because of political obstacles.

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Russia concedes powers to Urals republic

By John Lloyd in Moscow

Russia yesterday signed a treaty "defining the areas of competence" between Moscow and the south Urals autonomous republic of Bashkortostan – the second treaty of its kind and one which President Boris Yeltsin said represented "genuine federalism".

The treaty was signed as Russia continues to trade threatening rhetoric with its most unruly federal subject, the north Caucasian republic of Chechnya. Russian officials have supported the claims of the rebel Chechen interim council to oust General Dzhokar Dudayev, the republic's president. However, yesterday Mr Yusup Soslambekov, the former speaker of the Chechen parliament, said the opposition lacked the force to displace General Dudayev and "only a war" would oust him.

The Russian president also held talks yesterday with President Alexander Lukashenko of Belarus aimed at concluding a political treaty between the two former Soviet states. Both men were vague on the all-important issue of monetary union and said they would "honour previous agreements" in establishing a monetary system.

Mr Vyacheslav Solovov, a deputy chairman of the Russian Central Bank, told the Financial News Agency that "some points were corrected" in a draft treaty unifying the two currencies, and that the Belarus National Bank would play a role in money supply and the issuing of credits.

Commenting on Russia's negotiations both with former Soviet republics and its own internal regions, Mr Grigory Yavlinsky, leader of the Yabloko political party and a proponent of closer economic union between the former Soviet states, said that "economic union is inevitable, both for the Russian economy and for their economies. Political union, military union, are quite different things and we should not seek them now."

The treaty with Bashkortostan, an oil producing republic which has already adopted its own constitution, is in line with Moscow's attempt to hold together the sprawling Russian Federation by bilateral treaties which concede large areas of economic and legislative autonomy – including independent tax-raising powers – within a common constitutional and macro-economic framework in which defence and foreign affairs are handled largely by Moscow.

Mr Yeltsin told the official news agency Itar Tass after the signing ceremony that "we are now moving towards the fine-tuning stage in federal relations. We are agreeing who answers exactly for what".

Mr Murtaza Rakhimov, the Bashkortostan president, said "the process of creating independent legislative bodies will continue. The only demand [of the new treaty] is that the common legislative framework of the Russian Federation be preserved."

Tatarstan, an oil-producing republic which neighbours Bashkortostan, was the first to sign such a treaty – after claiming virtual independence from Russia two years ago.

Both treaties appear to contravene some of the clauses in the Russian constitution on relations between the centre and the republics – a price Moscow appears willing to pay to retain overall control.

Tokyo tightens tax screw on foreigners

By Michiyo Nakamoto in Tokyo

The Japanese subsidiary of Asea Brown Boveri, the Swiss-Swedish company, has been billed for additional taxes of Y1.1bn ($11.1m) by the Japanese tax authorities.

ABB Gadelius, the Japanese unit of ABB, is accused by the National Tax Agency of failing to report Y2.5bn it forwarded to related companies as a donation, which is taxable under Japanese law.

According to ABB Gadelius, in 1991 the company invested Y2.5bn in a holding company acquired to oversee car telephone marketing operations in northern Europe.

But the market environment for car phones became difficult and ABB Gadelius handed over the company to its executives for an insignificant sum the following year.

The Y2.5bn it forwarded to the company was reported to Japanese tax authorities as an extraordinary loss on an overseas investment.

The Japanese tax agency, however, determined the loss was in fact a donation aimed at supporting a related company and that therefore ABB Gadelius, which reported a loss in the year to December 1992, had in fact made a profit of Y2.1bn.

The move highlights the growing inclination of the Japanese tax authorities to take a hard line against foreign companies operating in Japan.

The national tax agency in Japan has alleged that many foreign companies under-report earnings to minimise their tax bills.

Ciba-Geigy, the Swiss pharmaceuticals group, has also been told it would have to pay an extra Y5.7bn in taxes for 1990 to 1993, while Coca-Cola is having a penalty of Y15bn imposed. Other large companies facing additional tax payments include Roche, Hoechst and Du Pont.

ABB Gadelius said yesterday it was appealing the ruling.

Beijing faces tax revenue shortfall

By Tony Walker in Beijing

China's revenues are likely to fall short of budget forecasts this year, suggesting a larger than expected deficit and making it harder for the government to ease tight credit restrictions.

Mr Liu Zhongli, China's finance minister, said that while a new tax regime was functioning well, tax revenues had not met expectations.

"Despite the high revenue growth, the income collected during the first six months of the year was less than the projected amount," he told a meeting in Beijing on finance and taxation.

China's new tax regime, which came into effect at the beginning of the year, provides for fresh sharing arrangements between the centre and the provinces. It also included a new value added tax (VAT).

Western economists in Beijing said the complex tax reforms were highly ambitious and it seemed the authorities were encountering difficulties in implementing them.

One official noted government revenues, which grew by 22.6 per cent in the first six months, were barely keeping up with inflation.

China reported that cost of living increases in 35 main cities were up by 22.7 per cent in June compared with the same month last year. Retail inflation was about 20 per cent.

Mr Liu told China's parliament, the National People's Congress, in March that China's budget deficit this year would reach Yuan66.9bn (£5bn) but total obligations, including debt service, would exceed Yuan100bn.

Mr Liu disclosed that national monthly revenue averaged Yuan33bn in the six months to June, well below budget forecasts. An average of Yuan46.4bn would be required for the rest of the year to enable the government to meet its revenue targets.

"This would be very difficult to achieve since the highest monthly average had been Yuan39.1bn in June," Mr Liu said. He also noted that pressure on expenditures was "building", with salary increases for government employees coming into effect in the second half of the year.

He blamed "tax evasion" and "delayed tax payment" for some of the government's budgetary difficulties. By the end of June unpaid taxes amounted to Yuan16.3bn, 71.5 per cent more than the same period last year.

This indicates that state enterprises, the main source of government revenues, are facing difficulties meeting their tax obligations.

Many of these enterprises are struggling to keep afloat and have been hard hit by the government credit squeeze aimed at calming an overheating economy.

Total national revenues in the six months to June reached Yuan197.9bn, against expenditures of Yuan197.3bn. Expenditures grew faster than revenues.

Mr Liu vowed the authorities would crack down harder on tax avoiders.

The State Administration of Taxation would give priority to retrieving overdue tax payments during the second half of the year.

"Public spending must be curbed," he said "and expenditure breaches not allowed whenever possible during the remaining months of the year."

Opposition MPs shout anti-government slogans outside India's parliament after carrying out their threat to 'take to the streets'

Japan minister gives assurance on N-arms

Document revealed nuclear option was studied

By Gordon Cramb in Tokyo

Mr Yohei Kono, Japan's foreign minister, was yesterday forced to confirm that the country had not pursued a nuclear weapons development policy, after the leaking of a 25-year-old ministry document that argued the case for a potential atomic capability.

He acknowledged that in the late 1960s the ministry had not allowed Japan's pacifist post-war constitution to inhibit an examination of all options for future national defence policy.

The Mainichi Shimbun, a mass-circulation daily, this week revealed the existence of a 100-page classified document drawn up by foreign ministry officials in 1969. The newspaper quotes the report as saying: "Japan will assume a policy of not having nuclear weapons for the time being. But it should always maintain the economic and technical potential to produce them."

Mr Kono refused to discuss what he described as an internal working paper, but said: "It is a fact that before the signing of the Nuclear Non-proliferation Treaty (NPT) consideration was given at internal meetings on all policy possibilities and to their advantages and disadvantages."

Japan acceded to the NPT as a non-nuclear-weapon state after adopting the treaty the following year, and has maintained a policy of not possessing such weapons, not producing them, and not permitting them to be brought into Japan.

The affair will add another layer to the myriad sensitivities within the country and the rest of Asia which surround Japan's militaristic past, a wider world role for its post-war self-defence forces, and its nuclear power programme.

Japanese had examined all options for future defence policy

Mainichi's disclosures included an interview with a former head of the Maritime SDF, Japan's navy, who admitted that in the cold war era of the late 1960s he conducted two years' research into battle scenarios involving a nuclear-armed Japan. Mr Kazuomi Uchida said neither the government nor the military acted on his findings.

Mr Kono said yesterday the nuclear option "would only go against the national interests of Japan" and was "totally unrealistic also from our special national sentiment as the only country which has suffered from such devastation."

Hiroshima on Saturday and Nagasaki next Tuesday commemorate the anniversaries of their virtual annihilation by US atomic bombs. Anti-nuclear activists at a conference in Hiroshima yesterday attacked Japanese plans to employ potentially dual-use plutonium in future nuclear power reactors and said a government which disavows nuclear weapons should make public all relevant records.

The August anniversaries annually generate a spate of media disclosures on nuclear-related issues, but controversy is seldom absent. In May, two cabinet ministers had to deny a claim by a former Japanese envoy that Washington had, in agreeing reversion of the US-occupied southern islands of Okinawa to Japan in 1972, struck a secret deal which would allow the US to station nuclear weapons on Japanese territory.

India's opposition takes 'to the streets' over stock market row

Investor fears grow after reports that finance minister Singh is willing to quit, writes Shiraz Sidhva

The opposition benches in both houses of India's parliament were empty yesterday after party leaders carried out a decision to take politics "to the streets". Outside parliament, negotiations went on late into the night, adding to uncertainty about the future of Mr P.V. Narasimha Rao's government.

Investors around the world phoned newspapers in the capital to ask whether Mr Manmohan Singh, the finance minister, was likely to resign to take responsibility for the government's handling of the 1992 stock exchange scandal in which money was illegally siphoned out of banks into the stock market.

Mr Narasimha Rao's Congress (I) party and the opposition are in dispute over the government's "Action Taken Report" on the scandal inquiry. The opposition say Mr Narasimha Rao used the report to shield senior ministers from criticism by a joint parliamentary committee.

Concern about Mr Singh's future arose after the minister, regarded as the architect of India's economic reform programme, was reported in the newspapers to have replied in a meeting to the accusation by a party colleague that he was responsible for the trouble the party and government was in.

"I had offered to resign earlier," Mr Singh was reported to have said. "If anybody thinks I am blocking the investigations, I am prepared to quit again."

Mr Singh resigned last December after which he defended himself and his ministry in a two-day parliamentary debate. "Mr Rao did not accept his resignation then. He is unlikely to do it now," said a Congress(I) MP.

Yesterday members of the opposition National Front-Left Front alliance demonstrated outside parliament, telling people who had gathered why they were boycotting the rest of the monsoon session and had resigned from parliament's 45 committees.

Members of the right-wing Hindu Bharatiya Janata party, India's largest opposition party, did not join the demonstration, though they have boycotted parliament.

Sworn enemies in the opposition have united against the Congress(I) party. They feel the government has deliberately ignored the recommendations of the parliamentary committee's report into the scandal, despite the fact that Congress(I) MPs, who were a majority on the committee, had unanimously accepted the findings after 18 months of deliberation.

"The government has made a mockery of our findings," said a senior MP of the Congress(I) party and a member of the committee. "Though we cannot openly join cause with the opposition, the government's 'Action Taken' report denotes that the executive – never mind that it is my own party – has decided that there is no need to taken any action at all."

In addition to insisting on the withdrawal of the "Action Taken" report, the opposition has demanded that the government accept the recommendations of the committee and take action against the ministers criticised in the report. These include Mr Singh, Mr B Shankaranand, health minister, and Mr Rameshwar Thakur, formerly minister of state for finance, who was moved to the rural development ministry after the scandal erupted.

Other committee recommendations the opposition demands should be accepted include action against the foreign banks implicated in the scandal – Standard Chartered, ANZ Grindlays, Bank of America, and Citibank.

The opposition has also demanded action against the Reserve Bank, India's central bank, and against its former governor, Mr R Venkitaramanan, and other bureaucrats, bank officials, and brokers involved in the scandal.

Parliament will still be able to transact business in spite of the opposition boycott. The only likely constitutional hitch will arise when President's [direct] Rule is due to be extended in the troubled state of Jammu and Kashmir before September 3 when a two-thirds majority in the lower house will be required.

Ten Indian states go to the polls in November and the opposition parties, hard-pressed to find issues on which to attack the relatively stable government of Mr Narasimha Rao, are planning to make official corruption an issue.

S African shop strike settled

A bitter 24-day strike over wages by workers at South Africa's Pick'n Pay supermarket chain ended yesterday but strikes in other sectors of the economy continued to hit production, *Reuter reports from Johannesburg*.

Walkouts in the motor, metal, paper and oil industries and the public sector hit the country's fragile economy amid government fears that labour unrest could frighten off investors.

Pick'n Pay, with 350 stores across the country, signed an agreement with the South African Commercial Catering and Allied Workers' Union giving employees a 180 rand ($40) increase and a 1,110 ($308) minimum wage.

But there was no sign of progress in negotiations over a strike by 25,000 car workers that has brought seven big plants to a halt. "There was no substantial progress in our negotiations and therefore we have nothing to say at this stage," an official of the National Union of Metalworkers of South Africa said.

Vote sparks riot in Iranian city

Riots erupted in the Iranian city of Qazvin yesterday after parliament voted down a bill to turn it into a province, residents said, **Reuter reports from Tehran.**

"People have set tyres on fire in the streets. Windows of banks and government buildings are smashed," said a man at a Qazvin hotel reached by telephone. "I can hear shooting. It's very chaotic. People have gathered in streets and mosques and there are clashes in the streets. The police cannot do anything," he said.

Another resident said rioters had burned down the finance department building.

Police in the city, 90 miles north-west of Tehran, the capital, said the roads were closed into Qazvin, through which hundreds of trucks bringing goods from Turkey and Europe to Tehran and beyond pass every day.

The riots broke out after parliament voted 105-103 against a bill to separate Qazvin from Zanjan province. Parliament's deputy speaker, Mr Hassan Rowhani, said after the vote that the people of Qazvin should not take it as a sign of bias by parliament and urged the Zanjan governor-general to pay more attention to the city which was the 16th century capital of Persia under the Safavid dynasty.

Several Iranian cities have ambitions of becoming centres of new provinces, mainly to get more money directly from the central government for development. Located in a fertile plain, Qazvin has been turned into one of Iran's biggest industrial centres since the 1970s.

The interior ministry, seeking to defuse the tension, announced it would send an envoy to Qazvin to hear people's grievances, Iran's official news agency IRNA said.

Iran's worst riots since the early turbulent years after the 1979 Islamic revolution occurred in the north-eastern city of Mashhad in 1992. Two people were killed and 300 banks and government offices were gutted during the rampage in Mashhad which started from a dispute over illegal buildings. Four men were hanged for inciting to riot.

Zaire's inflation hits 93% in month

Zaire's monthly inflation hit 93 per cent in July as millions of banknotes flooded on to the black market, triggering the collapse of the zaire, the national currency, Reuter reports from Kinshasa.

The rate, calculated by US embassy economists, was almost five times June's 21 per cent and the worst recorded for the past seven months. Annual inflation is estimated at 12,500 per cent. The rocketing prices highlighted a decline in living standards for Zaireans accustomed to years of privation.

In Kinshasa's central market, shoppers are buying ever-smaller quantities of manioc, bread, palm oil and dried fish, as these staples double and triple in price.

The number of beggars at the capital's junctions has grown and as petrol prices soar, the streets are packed with hundreds of people who can no longer afford public transport and spend up to eight hours a day walking to and from work.

Despite an attempt by the new prime minister, Mr Kengo Wa Dondo, to bring the country's security forces under control, underpaid policemen, gendarmes and soldiers are becoming ever more blatant in their demands for bribes.

Mr Kengo's new government has cited the flood of notes onto the market, which pushed the currency to a low of 1,400 against the US dollar from 710 in just 10 days, as the reason for suspending the central bank governor, Mr Ndiang Kaboul, last month.

Officials allege Mr Ndiang, sensing he was about to be dismissed, printed money to cover clandestine payments to friends, influential politicians and army generals.

Mr Ndiang insists the currency's collapse was triggered by pay-outs Mr Kengo ordered to cover army and civil servants' salaries. The stand-off between Mr Ndiang and the government continues as a central bank audit begins.

In the past few days, the zaire has recovered slightly, touching 1,250 to the dollar, but economists said this was due to the bank running out of notes rather than a recovery of confidence in the currency.

Israeli MPs pass Jordanian accord

By Julian Ozanne in Jerusalem

Israel's parliament overwhelmingly endorsed last week's peace accord with Jordan in a rare display of political consensus between left and right on the Middle East peace process.

Hours after parliament voted 91-3 in favour of the Israeli-Jordanian declaration three Israeli fighter jets escorted King Hussein's low-flying aircraft on an unprecedented flight through the Jewish state's airspace.

In an effort to gain maximum support for the declaration Mr Rabin assured parliament Israel would maintain its sovereignty over Jerusalem, despite recognising King Hussein special role over the holy city's Islamic sites.

Opposition right-wing parties, which fiercely oppose the peace accord with Palestinians and any withdrawal from the Golan Heights in peace talks with Syria, supported the Jordanian agreement.

"We are in a rare moment in the people's unity in which the opposition is also in support of the government's political moves," Mr Benjamin Netanyahu, leader of the right-wing Likud party said.

King Hussein's flight yesterday was the first official passage of a Jordanian aircraft through Israeli airspace since the creation of the Jewish state in 1948. It was timed to mark parliament's endorsement of the accord and to symbolise the new era of normal relations developing rapidly between the two countries.

Next Monday King Hussein and Mr Rabin will meet on their Red Sea border to open a new crossing. Throughout yesterday's parliamentary debate Israeli and Jordanian tractor crews tore down razor wire fences to build the new border post 3.5km north of Eilat.

Mr Warren Christopher, US secretary of state who is visiting the region, will attend the border dedication ceremony and make the first telephone call between the two states. Israel's communications ministry also said yesterday a fibre optic cable will be eventually laid from Amman across the Jordan river into Israel.

World Bank estimates the islands' real GDP has grown 0.1% a year in the past 10 years, Nikki Tait reports

Cause for concern behind the South Pacific smiles

There was little disguising Mr Paul Keating's satisfaction as the Australian prime minister presided over the closing formalities at the annual meeting of South Pacific leaders in Brisbane this week.

Australia, as host nation to the South Pacific Forum, attended by 14 other countries ranging from Nuie (pop: 2,500) to Papua New Guinea, had suggested "managing resources" as a theme for the conference.

Items agreed included a pledge from Australia, New Zealand, Fiji, Papua New Guinea, Vanuatu and the Solomons Islands, that they would "work towards a common code of conduct governing logging of indigenous forests, to which companies, operating in their countries will have to adhere".

Monitoring of logging activities would be stepped up, and senior officials would meet within two months to begin implementing these agreements.

On the fraught question of over-fishing in South Pacific waters, countries would make an effort to define sustainable catch levels, and take a multilateral approach to monitoring how, and at what prices, resources should be exploited.

They would also look at ways of rationalising air services in the region to try to curtail losses suffered by national carriers.

A meeting of finance ministers from the island states was proposed for "the near future", with participation from representatives of international financial institutions encouraged.

Last year, the World Bank estimated that the Pacific island nations' real gross domestic product had grown by just 0.1 per cent a year over the past 10 years.

This looks all the more lamentable alongside the double-digit growth rates in the Asean countries nearby. Reasons sometimes put forward for the disparity in performance include the smaller size of Pacific island nations and their geographical isolation.

But Australia, for one, feels the explanations are to be found elsewhere. "Asian governments have taken deliberate steps to adopt and pursue economic policies which have had the effect of mobilising domestic savings and opening their economies to quality foreign investment," Mr Gordon Bilney, Australian minister for Pacific Island Affairs, said recently.

"It is perhaps not too harsh a judgment to say that a number of South Pacific countries are... yet to take up this example."

Moreover, there are fears that, unless immediate action is taken, big problems are being stored up for the future. The conclusion of the Uruguay Round of trade negotiations last year, with its promise of a more competitive world trade environment, could pose trouble for key sectors in some of the island states' economies. The Fijian sugar industry, which enjoys preferential treatment in Europe, is one example.

Keating: resources theme

There also is concern that the region will deplete – or allow foreign interests to deplete – its rich natural resources, in a short-term chase of profits. Severe environmental damage, from deforestation to coastal degradation, would be the result. Heavy logging of tropical rainforests in countries such as PNG and the Solomons, largely by Malaysian interests, is seen by many as the main worry.

Australia as a leading trading partner and aid donor has a particular vested interest in the region. Its exports to Forum island countries (excluding New Zealand) topped A$560m (£267m) last year, and Australian mining companies have some large holdings in the region, especially in PNG.

Australia's aid budget to the region is almost A$500m a year, two-thirds of which goes to PNG. The point has been made that aid to the rest is about equal to the losses suffered by their national airlines. Recent problems at the debt-laden Polynesian Airlines – where allegations of corruption and unsound business judgment within the Western Samoan cabinet have led to the appointment of a commission of inquiry – has bolstered the views of those who would like to see more financial discipline associated with such aid.

Encouraging change without offending sensibilities is a delicate matter. Australia's approach is to suggest that it is merely passing on lessons which it, all too recently, learned the hard way itself.

Even so, while smiles were plentiful in Queensland this week, Pacific island leaders plainly have a different perspective on some of these issues. For example, Mr Francis Billy Hilly, prime minister of the Solomon Islands, conceded that his government was concerned about the rate of logging.

But, he noted, "if we do stop our export of round logs today, which counts for more than 50 per cent of government revenue, we'll have a big hole in our budget". In the absence of assistance, "our reform policies will be slower than what we would much like," he said.

Mr Paias Wingti, PNG's prime minister, said that developed countries "had to appreciate the difficulties small island countries faced in controlling resource development".

"It is more than just a matter of money. We must take into account the traditional rights of our people to fish and to harvest their forests," he declared.

NEWS: THE AMERICAS

Two foundation blocks emerge from Congress

George Graham on the Senate and House versions of healthcare reform bills as deadline for vote approaches

Now that separate healthcare reform bills compiled by Senator George Mitchell and Congressman Richard Gephardt are on the table as the basis for debate in the Senate and the House of Representatives next week the outlines of an eventual overhaul of the US health system are starting to emerge.

There are many differences between the two bills, and it is still far from certain that any reform at all will pass Congress. Many Republicans are now arguing that time has already run out for adequate debate this year on a measure of such magnitude.

Yet the Mitchell and Gephardt plans have much in common, and if a healthcare reform bill does pass – albeit by the slimmest of margins – these features now appear likely to form its foundation.

At the heart of this common ground is a new set of rules for the insurance market: insurers would be required to accept all eligible applicants, and would not be allowed to drop or reduce anyone's coverage, nor increase their premiums, because of their medical record. Community rating, in which premiums can vary only by geographical area, age or family status, would replace the now generally practised system of experience rating, in which insurers set premiums on the basis of their claims experience with an individual or a company.

This change would lower health insurance costs for many families and businesses, and would put a stop to the heartbreak stories of people stripped of their insurance just when they need it most, when they or their child develops some crippling, long-term illness.

It would, however, probably raise costs for the younger and healthier people who make fewer claims on their health insurance, and economists disagree on whether it would on its own increase the percentage of the US population covered by health insurance.

Both the Senate and House bills would also set a national standard benefits package defining which types of care must be covered by any insurance policy, and would increase the benefits the elderly now receive under the government's Medicare programme by improving coverage for long-term care and by reimbursing the cost of prescription drugs.

Both would raise the cigarette tax by 45 cents a pack and, in differing ways, broaden access to the programme under which federal government employees now obtain their health insurance.

The two bills offer very different approaches to the problem of expanding health coverage to the estimated 35m to 40m people who have none.

The House bill simply requires employers to provide health insurance to their workers and pay for at least 80 per cent of its cost.

Senator Mitchell concluded that this employer mandate would not pass the Senate, and his bill holds it in reserve for the year 2002 if his own voluntary system fails to bring 95 per cent of the population into the health net. It would require companies to offer their workers a choice of at least three insurance plans, but would not oblige the employee to accept this offer or the employer to pay any share of its cost. It would, however, offer subsidies to low income individuals to encourage them to buy insurance, and to employers to encourage them to expand health coverage to all their employees.

The two plans also offer different safety nets to the unemployed and the poor, though both would abolish the current Medicaid programme.

While the House bill fulfils President Bill Clinton's requirement of "guaranteed universal coverage", the Senate bill's would provide 95 per cent. But Senator Mitchell has received Mr Clinton's general endorsement, and argues that the most important thing is to reverse the trend of coverage, which – excluding the elderly who are covered by Medicare – has dropped from 88 per cent in 1980 to 83 per cent today.

One critical difference lies in the two bills approaches to containing medical inflation, which was once the driving force behind efforts to reform the health system. The House bill relies on increased competition between insurers and medical providers to control costs, with, as a standby, a national commission to impose fee schedules if healthcare inflation has not abated.

Senator Mitchell, on the other hand, has introduced an already controversial scheme to levy a 25 per cent assessment on expensive health plans whose costs rise by more than a fixed percentage above the rate of general inflation.

Because of the different rules of procedure in the two chambers, it is the Senate bill that is likely to be most heavily amended when debate opens, probably next week. It is also the Senate bill which appears to come closest to a lowest common denominator which can pass in both chambers.

But with outright opposition from almost all Republicans and continuing doubts from many right-wing Democrats, Senator Mitchell and Mr Gephardt have few votes to play with in their search for a majority.

US economic growth 'slowing' on June figures

The US index of leading indicators rose by a modest 0.2 per cent in June, this being the latest sign that economic growth is slowing, the government said yesterday, agencies report from Washington.

Analysts, who had anticipated the rise in the the government's chief forecasting gauge of future US economic activity, said that a small increase was consistent with evidence that the economy is expanding at a moderate pace.

This was reinforced by the Federal Reserve in its latest Beige Book survey of economic activity, which said scattered signs of economic slowing were emerging, with rising wage and commodity costs.

Presenting revised figures, the Commerce Department said the index rose 0.1 per cent in May, after remaining unchanged in April. The department previously reported that the barometer was unchanged in May.

It also said yesterday that orders to US factories rose in June for the fourth consecutive month, climbing 0.8 per cent and matching the previous month's increase.

The rise was practically across-the-board, excluding construction-related material and home furnishings. The rise was led by a 12.8 per cent surge in orders for medical instruments and navigation equipment.

The Fed said yesterday: "Business activity in most areas is continuing to expand at a solid pace, although a number of districts report scattered indications of some slowing or slight declines."

The Beige Book, produced about every six weeks, said several districts had reported labour markets tightening and said that was pushing wages up. "However, labour shortages appear to be concentrated only in a few skilled occupations," the Fed added.

But price rises were reported for a broader range of commodities used for manufacturing, including finished steel and steel scrap, copper, wood and building materials.

Retail sales that had moderated in the spring have picked up but competitive pressures were holding prices down and squeezing profit margins, the Fed said.

Nicotine in cigarettes declared addictive by FDA advisers

By Jeremy Kahn in Washington

A US Food and Drug administration advisory panel has concluded that nicotine in cigarettes is addictive, this being the first formal step toward US federal regulation of nicotine as a drug.

The eight-member scientific panel, made up of academics from various parts of the country, concluded after a nine-hour debate on Tuesday that all cigarettes on the market are addictive. This was the first official statement by the FDA that nicotine meets its definition of a drug – a substance which affects "the structure and function of the body."

However, the committee failed to reach a consensus on how much nicotine it takes to make a smoker addicted.

Dr David Kessler, the FDA commissioner, called the findings "enormously important" because they contradict tobacco industry claims that cigarette smoking is "a free-choice issue."

Dr Kessler has been considering tighter federal regulation of the tobacco industry since February, amid protests from cigarette manufacturers who claim he is waging "a dangerous crusade" to ban cigarettes and destroy their companies.

The commissioner said he does not want prohibition but is increasingly convinced the government must try to stop more teenagers and children from becoming addicted.

To regulate cigarettes, the FDA must prove not only that nicotine is addictive but also that companies purposely manipulate chemical levels to make more customers addicted.

Accountancy

US firms protect partners

By Andrew Jack

Three of the six largest US accountancy firms have changed their legal structure in an effort to provide protection of their partners' assets from litigation.

The remaining three large firms confirmed that they were also at an advanced stage of taking the same route over the next two months.

Coopers & Lybrand, Ernst & Young and Price Waterhouse changed their legal status to become Delaware limited liability partnerships on Monday.

KPMG Peat Marwick and Deloitte & Touche are also likely to become registered in Delaware over the next few weeks, taking advantage of accomodating corporate regulations. Arthur Andersen, the world's largest firm, is believed to be considering registering as a limited liability partnership in Illinois, the state in which its principal US activities are based. Otherwise it too will register in Delaware.

The change has come as part of efforts by the firms to mitigate the effects of large lawsuits from aggrieved investors and others who claim to have relied on their audit opinions.

The firms argue that many of the claims against them are unjust and are fighting for reform of the US legal system to introduce "proportionate liability" rather than the current position in which they can be required to pay all damages even if only found partly to blame.

Whitewater inquisitors find no 'smoking gun'

By Jurek Martin, US Editor, in Washington

Roger Altman: unwilling to walk the plank — Associated Press

It was nearly two in the morning. For the umpteenth time a Republican senator – on this occasion Mr Phil Gramm of Texas – was berating Mr Roger Altman for being economical with the truth to Congress.

For the first time in 10 hours of testimony which ended early yesterday, the deputy secretary of the Treasury allowed his anger to flare. But then he checked himself and, yet again, repeated that he had not dissembled to Congress and that he had not engaged in "substantive" meetings related to Whitewater other than the one, on February 2, at the White House, that he had always mentioned.

Later, Mr Altman was back on the stand again, in front of the more friendly House banking committee, along with Ms Jean Hanson, the Treasury lawyer, whose recollections of who said what, when and to whom had differed in parts from his own. Their boss, Mr Lloyd Bentsen, the Treasury secretary, was practising his courtly wiles on former colleagues on the Senate panel. He portrayed himself as above the fray while it was unfolding, but in no way did he disown Mr Altman nor depart from the administration's basic defence that it broke no laws, criminal or ethical.

Barring the unexpected, the congressional hearings seem to have reached an impasse. Without doubt, Republicans have succeeded in identifying inconsistencies in testimonies, but a big breach in the wall has not been effected and no "smoking gun" has been found.

This is partly because the hearings have featured much minutiae and been replete with bureaucratic legalisms – "pre-briefs," "recusals", "tasked", "redactions" and "referrals".

A week's hearings have embraced only a sliver of the Whitewater affair – specifically the conduct of investigations into the Madison Guaranty savings and loan company formerly owned by the partner of the Clinton family in the Whitewater land development scheme in Arkansas.

There may be fireworks to come. Followers of political streetfighting relish the upcoming confrontation between Senator Al D'Amato, the rough and tough New York Republican, and Mr Harold Ickes, the rough and tough New York Democrat who is now deputy White House chief of staff.

But no heads have rolled, though lesser fry, like Ms Hanson, must be rubbing their necks. Mr Altman went into his testimony with universal predictions that he would be the "fall guy" for the administration's failings to come clean. But his proud demeanour made it clear that he was not going to walk the plank on the evidence presented.

Mostly partisanship has ruled, especially in the House. Senate Democrats seemed to waver when first Ms Hanson and then Mr Altman were under the gun. But, spurred on by Senator Christopher Dodd of Connecticut, they began to rally round the deputy secretary, though without assistance from the committee chairman, Senator Don Riegle. He is retiring anyway.

Brazilian election

Cardoso replaces colleague

Mr Fernando Henrique Cardoso, Brazil's former finance minister, has replaced his running-mate for the presidential election on October 3, after allegations of corruption, writes Patrick McCurry in São Paulo.

The decision came a week after Mr Cardoso's main opponent, left-winger Mr Luiz Inácio Lula da Silva, dropped his vice-presidential candidate, also after corruption claims.

Leaders of Mr Cardoso's election alliance installed Senator Marco Maciel in place of Senator Guilherme Palmeira on Tuesday night. Both are from the conservative Liberal Front party, the main electoral partner of Mr Cardoso's centrist Brazilian Social Democratic party.

The allegations surrounding Mr Palmeira related to the claimed misuse of federal budget funds for public works.

Dominican result

The US and the Organisation of American States yesterday criticised the belated decision, by electoral officials in the Dominican Republic, to declare Mr Joaquín Balaguer, 87, the winner of the presidential election held on May 16, Reuter reports from Washington.

The authorities on Tuesday proclaimed Mr Balaguer, the incumbent seeking his seventh term, the winner with 42.4 per cent, against 41.4 per cent for Mr José Francisco Peña Gómez of the Dominican Revolutionary party, who alleges widespread electoral fraud.

NEWS: WORLD TRADE

Fears of sanctions rebound

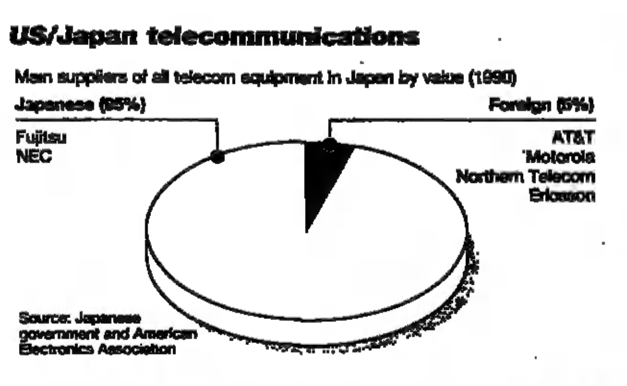
Bronwen Maddox on US telecoms companies' view of Japan market

US telecommunications companies are jittery about the prospect of US sanctions against Japan. Long-standing and vocal supporters of their government's attempts to prise open lucrative Japanese markets, they are now nervous that sanctions could rebound by undermining hard-won footholds in Japan.

According to Mr Bruce Moats, spokesman on federal government affairs at American Telephone and Telegraph, "we don't want an environment of sanctions – it could upset our customers [in Japan]".

The US, which has accused the Japanese government of discriminating against foreign companies in its government procurement of telecommunications and medical technology, will decide by the end of September whether to proceed with sanctions against Japanese imports.

US companies said yesterday it was not yet clear whether the measures would take the form of higher tariffs or a refusal by the US government to buy Japanese products. They also did not know whether the equipment affected would include electronics as well as mainstream telecommunications technology.



However Washington has argued that some form of action was justified by the failure of leading US telecoms companies such as AT&T and Motorola to win market share in Japan. According to AT&T, which firmly backs the government's attempts to open the markets, its Japanese sales of switching and transmission equipment and fibre optics were "very small" in relation to its marketing efforts, when compared with results in other overseas markets.

It said that NTT, the part-privatised Japanese telecoms carrier, which is AT&T's main customer in Japan, gave it only a small slice of its annual procurement budget of some $6bn to $7bn, although it had managed to win additional orders from the new common carriers that compete with NTT on domestic long distance traffic.

The possibility that this precarious business could be jeopardised by the US government's actions is a growing concern for AT&T. Despite US companies' support for their government's strategy, they are aware that trade sanctions have a poor record in bringing about the desired change.

Japanese companies themselves have been sanguine about the potential impact, while pointing out that the US has often resorted to tough language but has in practice been extremely cautious about deploying sanctions. Moreover, Japan's response to the tussle of the past few months suggests that it is becoming steadily less perturbed about the prospect of US retaliation than it has appeared during the long history of trade tension between them.

Equivocal about whether such measures would succeed in opening up Japanese markets, US companies are also sceptical that sanctions would hurt their Japanese competitors in the US markets. Investment analysts say that price competitiveness in the market is so great that they would expect Japanese companies to absorb higher tariffs through their margins rather than attempt to raise prices.

The most valuable part of the government procurement market, they argue, is that for military equipment; while its size is hard to estimate, analysts believe that foreign penetration is low.

Ms Debra Waggoner of the American Electronics Association said: "Outside the US, Japan is the world's single largest telecoms market. But our market penetration is disastrously low – we probably have 3 to 4 percentage points of the 5 per cent of sales which go to foreign companies."

She said companies should not be deterred by fears that the US government's actions would offend Japanese customers. Previous episodes when the US government had threatened sanctions had shown that "the pressure companies can get from their suppliers is intense – the suppliers want them to tell their government to back off".

Meanwhile, analysts question whether the Japanese markets are really as inaccessible as the US suggests – and whether the war is worth fighting.

Mr. Richard Kramer, telecoms analyst at Kleinwort Benson Securities in London, said technological specifications of equipment already installed, rather than issues of price, customer loyalty or government preferences, were among the most important market barriers.

For example, he said, "it is difficult to mix and match large digital switches. It is facile to say 'open up your markets and buy this switch'.

"Further penetration in either direction – of the Japanese market by the US or of the US market by the Japanese – is hard," he said.

If his arguments are right, and if the US goes ahead with sanctions, US companies could become embroiled in a trade battle in which they have little to win and much to lose.

GROPING FOR THE RIGHT NUMBERS

By Jeremy Kahn in Washington

Critics in the US who cite Japan's closed market and Tokyo's refusal to accept numerical indicators in the framework trade negotiations could find it difficult to support their arguments with statistics.

Obtaining accurate import and export figures can be almost as difficult as attempting to interpret them.

The US commerce department, which tabulates data collected by the US census bureau from shipping statements, is only able to provide figures for a broad product grouping which includes not only cellular telephone handsets, but cellular base units and certain other devices, including citizen band (CB) radios.

These are the only readily available figures. The leading industry trade association in the US, the Cellular Telecommunications Industry Association, does not record or file statistics on exports to Japan, and spokesmen at half a dozen other cellular industry organisations said that they could not easily arrive at a figure.

Motorola, which is the largest US seller of cellular equipment in Japan, declined to release any sales figures.

The commerce department statistics demonstrate a progressive increase in the dollar amount of US cellular equipment being exported to Japan from 1984 to 1991, when the exports totalled more than $50m. Sales dropped sharply to $14.8m in 1992, before climbing back to nearly $49.5m last year.

Bouygues in rail link for Sydney

By Nikki Tait in Sydney

The French construction group Bouygues is to partner Australia's Transfield and CRI, a local project management company, in building a A$600m (US$445m) underground rail link between Sydney's centre and its international airport, to the south on Botany Bay.

The go-ahead for the project was announced yesterday after all-night negotiations between the New South Wales state government and the private sector interests. The state will contribute more than A$470m for the construction of the 10km line, while Bouygues and Transfield, the joint venture partners, will shoulder about A$125m of construction and operating expenses for the four stations on the line.

Bouygues/Transfield/CRI will be responsible for the tunnelling, line and station construction work, and for running the stations at first: the time-frame for that contract has not been decided but is likely to be anything from 15 to 30 years. The Bouygues involvement was not mentioned in the formal announcement but Transfield – a prominent but privately owned Australian group – confirmed it had signed a separate 50:50 joint venture agreement with the French group.

There is no rail connection at present between Sydney's airport, the largest in Australia, and the city centre. The state denies that the choice of Sydney to host the Olympic Games in 2000 was the catalyst for the project, but acknowledges that this makes the need for efficient transport more urgent. Work is due to start next February and the line is to open by September 1999.

NEWS IN BRIEF

Delay over Saudi power contract

Saudi Arabia has delayed the award of a $1bn power project in Riyadh, the capital, and is still evaluating ways of financing it, Reuter reports from Manama. Industry sources said the Kingdom was assessing financing proposals from US banks and from Belleli Saudi Heavy Industries, one of the companies competing for the deal.

BSHI, in consortium with General Electric of the US and Binladen, a Saudi company, submitted the lowest bid of $970m to the Saudi Consolidated Electric Company. Further customer options have raised the cost of the 1,200MW plant to around $1bn. Asea Brown Boveri of Sweden and Siemens of Germany were also competing to win the contract.

Finance boost for US shipbuilding

President Bill Clinton has announced $1.3bn in approved or pending loan guarantees for four contracts designed to boost the US shipbuilding industry, Nancy Dunne writes from Washington. The financing packages will benefit shipyards in Mississippi, California and Virginia and one $726m loan guarantee would support construction of 30 multi-purpose container ships in Louisiana by the Swiss-based Saracen Investment.

The House of Representatives has also approved $1bn in new subsidies for shipyards and shipping lines but subsidies would not be granted unless compatible with a new multilateral pact among shipbuilding nations.

Indian private airlines face import ban

India has frozen imports of large aircraft by private airlines and decided to move slowly in permitting new airlines, Reuter reports from New Delhi. Civil aviation minister Ghulam Nabi Azad told parliament the freeze was due to congested air corridors and airports. He said imported smaller aircraft with a capacity of up to 30 seats would be encouraged to operate on short routes.

Canadians to expand Budapest airport

Huang & Danczkay Properties, a Toronto-based developer, has won a contract worth about C$200m ($145m) to modernise the main airport at Budapest, the Hungarian capital, writes Bernard Simon in Toronto.

One of the airport's two terminals will be rebuilt, doubling capacity to about 6m passengers a year. Following construction, which is due to start this autumn, a Huang & Danczkay subsidiary will operate the two terminals for 12 years and then turn them over to the Hungarian government.

Hot springs venture for Beijing

China and an unnamed Hong Kong company have set up a joint venture to develop hot springs in Beijing with investment of nearly $1bn, Reuter reports from Beijing. Xinhua news agency said the project involved construction of a five-star hotel, hot spring sanatoriums and a convention centre.

NEWS: UK

Tour operators heat up holiday price war

By Michael Skapinker, Leisure Industries Correspondent

Britain's leading package holiday companies yesterday moved from merely kicking sand over each other's towels to an outright brawl for a larger share of the summer market.

Not for this summer, but for the summer of 1995. There are still 1.5m packages on sale for this summer and more than a third of holidaymakers have not even left home yet.

But so intense is the rivalry between tour operators and travel agents that they cannot bear to see competitors publish an earlier brochure, offer a bigger discount or boast that more children go free.

First on the beach was Thomson, the largest tour operator, and Lunn Poly, its travel retail chain. Thomson's first 1995 brochure, published on Tuesday, was no more than a sampler – 83 pages of family holidays in destinations such as Spain, Tunisia and Florida. Lunn Poly offered 11 per cent discounts off all summer 1995 holidays.

Yesterday, Airtours, the second-biggest operator, hit back, sending travel agents 1,600 pages of holidays to places like Turkey and Thailand. Mr Harry Coe, Airtours' finance director, denied his group was forced into an early launch by the Thomson brochure.

Mr Richard Carrick, Airtours' marketing director, admitted, however, that the company had prepared four possible launch dates to ensure that it was not beaten to the market by Thomson. Airtours, he revealed, was ready to launch its summer 1995 long-haul programme as early as last month, had Thomson forced it to do so.

Going Places, Airtours' travel agency chain, said it would offer discounts of up to 12 per cent on favoured operators. These include Airtours itself, but also rivals such as Owners Abroad and British Airways Holidays.

Mr Coe said Going Places' highest discounts would go to those operators which provided the chain with the most "support", which means that they offered to help bear the cost of the discounts. Other operators' holidays will be sold at discounts of 4 per cent to 8 per cent. Last night, Lunn Poly hit back by announcing 12 per cent discounts on all holidays.

Thomas Cook, the third largest travel retailer, said it would match prices on offer from any other chain.

Mr Peter Shanks, Thomas Cook's commercial director, said the sensible time to offer discounts for the following summer was in late August or early September when people had returned from holiday.

Mr Francis Baron, chief executive of Owners Abroad, the third-largest tour operator, said the price battles "defy commercial logic". He added: "It remains to be seen how many people are going to book before they have even gone on this year's summer holiday."

Former BCCI officer is jailed

By John Mason, Law Courts Correspondent

Imran Imam arrives at the Old Bailey in London yesterday to be sentenced to three years imprisonment Photo News

A former senior employee of Bank of Credit and Commerce International was jailed for three years at the Old Bailey yesterday in spite of unprecedented pleas by US prosecutors.

Mr Imran Imam, a former accounts officer in the bank's London offices, was convicted last week of helping to boost the failed bank's profits fraudulently by $250m. He had achieved this by falsifying records connected with bogus loans to customers from which BCCI claimed fee and interest income.

The jury found him guilty of charges including conspiracy to conceal or falsify documents and furnishing false information to the bank's auditors.

Mr Imam's sentencing followed highly unusual pleas in mitigation from US prosecuting officials who argued that his co-operation with them had resulted in the recovery of $730m of missing BCCI funds.

Mr John Moscow, the assistant New York District Attorney, and Mr Richard Small, counsel with the Federal Reserve, gave evidence to the court praising Mr Imam's role in their investigations.

Mr Iman's co-operation with the US authorities started when the bank collapsed in July 1991 and included his giving evidence in two criminal trials in the US.

Imprisoning Mr Imam, Judge Pownall said the assistance he had given to US investigators meant he was entitled to a substantially shorter sentence.

The judge also said he could understand why Mr Imam might have felt "hard done by" when the UK authorities decided to prosecute him. During a pre-trial hearing, lawyers for Mr Iman said that while he was co-operating with the US authorities, he had been led to believe that he would not be prosecuted in the UK. The Serious Fraud Office has denied ever giving such an assurance to the US authorities.

However, the judge said the BCCI fraud was a "stupendous" one in which Mr Imam had played "a dishonest and not inconsiderable part".

He accepted that Mr Imam had acted under the instructions of Mr Swaleh Naqvi, the former BCCI chief executive, and that others had been more responsible for the fraud. However, he said Mr Imam had played a larger role in the fraud than he had asked the court to believe.

Milk production hormone prompts wide opposition

By Alison Maitland

Retailers, consumers, farming organisations and animal welfare groups have come out strongly against the licensing in Britain of a hormone that boosts milk production in cows.

Just over 100 companies, organisations and individuals responded to a government consultation paper, with 62 expressing concern about bovine somatotrophin, or BST. Twenty-one favoured licensing it, including the BST manufacturers Monsanto and Lilly Industries, and the rest expressed no firm opinion.

BST, an artificially produced version of a hormone that occurs naturally in cows, went on sale to farmers in the US in February after winning approval from the Food and Drug Administration last November.

European Union agriculture ministers are due to decide in December whether a ban on its use should be lifted or remain in place until the year 2000.

Britain is believed to have been in a minority of two in wanting the ban lifted when the 12 ministers discussed the issue last December. Germany is thought to have favoured an indefinite ban, while most countries wanted a moratorium until the end of the decade.

Although the hormone has met EU and UK licensing criteria of safety, quality and efficacy, much opposition is based on fears of a consumer backlash.

Monsanto last month cited figures from the US Department of Agriculture showing liquid milk consumption in the US had remained steady since BST was introduced.

However, the British Retail Consortium said in its submission that "consumer concern about BST has reached such a pitch that most, if not all retailers, would like to be able to guarantee that their products do not come from cows treated with it".

Despite the generally accepted view that BST-produced milk is safe for humans, some groups expressed concern about the increased presence of a growth hormone, insulin-like growth factor-1 (IGF1).

Those favouring BST included scientists and veterinary organisations who back ministers' views that a decision should be based on scientific principles and that approval would boost the biotechnology and farming industries, while avoiding a potential trade conflict.

The Association of Veterinarians in Industry said approval of BST "will put farmers in Europe on an equal footing with their cousins in the US".

Go-ahead for Channel tunnel services

By John Willman, Public Policy Editor

The Anglo-French intergovernmental commission has approved limited passenger services through the Channel tunnel.

The commission has given permission for invitation-only passenger rail operations, the final stage of preparation for running regular public services.

Trains will be run at less than full load with increasing frequency, under the supervision of the commission, which must satisfy itself on safety.

Trains will carry invited passengers and their cars between the Cheriton terminal at Folkestone and the Sangatte terminal near Calais.

Eurotunnel shareholders, travel agents, journalists and politicians will be among the first groups invited. The company hopes to launch a regular service in October.

The commission's decision also covers high-speed Eurostar passenger services between London, Paris and Brussels.

Limited services for invited passengers are expected to be launched "very shortly" by SNCF, the French state rail company, SNCB, the Belgian equivalent, and European Passenger Services, the UK rail link operator formerly a subsidiary of British Rail.

Shipyard unions claim EU victory

By Chris Tighe

Unions representing former Swan Hunter employees claimed a significant legal victory yesterday when a Newcastle industrial tribunal decided that it could consider claims that the British government had failed to implement European directives.

The shipyard unions had brought a case at the tribunal against the employment secretary alleging that the government had not paid in full "protective awards" won on behalf of 420 redundant Swan Hunter employees at a tribunal last September.

The awards, made under the Employment Protection (Consolidation) Act 1978, were made in compensation for the receivers' failure to give 90 days' consultation before announcing the redundancies after they were called into Swan Hunter in May 1993.

After the tribunal's decision Mr Christopher Vajda, counsel for the employment secretary, said an appeal would be lodged, but the department did not confirm this.

The European Court of Justice ruled in June that the government had failed to properly implement the collective redundancies directive which requires there be a proper sanction against employers who fail adequately to consult on redundancies.

A ruling in 1990 held that when a member state is in breach of its obligations, citizens who have suffered losses as a result can to pursue claims for damages against their government.

The maintains that these cases – called Francovich awards – should be heard only in the High Court.

Yesterday's tribunal decision means that the way is now open for UK claimants to pursue a less costly route for claiming damages, said solicitor Stefan Cross of Brian Thompson & Partners, representing four of the five unions.

Mr Cross said this tribunal decision, unless overturned, would also provide a potential alternative way redress for employees aggrieved by changes to their contracts under the Transfer of Undertakings (Protection of Employment) regulations of 1981.

The Newcastle tribunal is now hearing the unions' claim, itself a test case on insolvency, that the department should not have based its calculations on eight weeks' deducted money, instead of 12, paid in lieu of notice. Most of the 420 workers received little or nothing, but if the unions win, some could gain £5,000.

The employment department is involved because, on receivership, it assumes many responsibilities to employees.

● Constructions Mécaniques de Normandie, sole prospective bidder for Swan Hunter as a going concern, said yesterday its latest offer to the receivers included payment of the design team until the end of this year.

Swans' order book ends in November and the receivers must decide whether to make redundant the the 100-strong design team, without which the company cannot tender for more work.

Further delays affect plan for share settlements

By Norma Cohen, Investments Correspondent

The London Stock Exchange signalled yesterday that it may not be able to speed share settlement further by the middle of next year, saying it will make a firm decision at the end of October.

The Stock Exchange last month abandoned its two- and three-week account settlement period in favour of rolling settlement 10 days after each bargain is struck – the initial phase of a move to develop the new Crest system for paperless share settlement.

Crest, a project spearheaded by the Bank of England, is ultimately intended to narrow the settlement period to three days after each bargain is struck.

Mr Pen Kent, associate director of the Bank, had earlier set a target date for "T plus Five" – five days after the date of the trade – of no later than the middle of next year.

In a recent letter to Mr Michael Lawrence, Stock Exchange chairman, Mr Kent said that the Bank would not be involved in the move to speed share settlement to five days after trade date.

He said: "We will remain fully behind the further move to five-day settlement but do not expect that this will require a major contribution from the Crest team, which is devoting all its resources to the development phase."

Meanwhile, Thompson Financial Services, a provider of software for securities trading and settlement, said yesterday it has extended its electronic trade confirmation service to Asia, where it will be able to speed share settlement both within the region and for cross-border transactions in the US and Europe.

The Bank has said that the ability to confirm trades electronically is essential in achieving shorter settlement periods for equities in Crest.

● Imro, the self-regulatory body for Britain's fund-management industry, is to look at fund managers which invest in emerging markets and those which use derivatives.

Mr Philip Thorpe, Imro chief executive, said that while there was no evidence that investor protection was being compromised, "we are always concerned where there is a bandwagon effect".

The performance of emerging markets relative to domestic or developed stock markets had led to keen investor interest in this sector, Mr Thorpe said.

The reconstruction of Shakespeare's Globe Theatre by the River Thames in London was opened to the public yesterday for the first time. Visitors to the project – the brainchild of film director Sam Wanamaker who died this year – will be able to see craftsmen like workshop foreman Julian Ladbrook (above) using 17th century techniques and a history of theatre exhibition. Ashley Ashwood

Britain in brief

Rail chief warns of strike 'threat'

British Rail chairman Sir Bob Reid intervened publicly in the signalling dispute for the first time yesterday, warning that continuing disruption threatened the future of the railway industry and everybody who works in it.

In an open letter to Mr Jimmy Knapp, the RMT transport union's general secretary, he warned that the planned intensification of the eight-week long conflict with the planned stoppages for 72 hours around next weekend "would be hugely destructive".

The BR chairman called on the RMT executive to ballot their signalling grade members again on Railtrack's latest pay offer and suspend further strike action until the result was known.

Railtrack said last night it had no immediate plan to force through its pay offer by requiring signalling staff to sign up under new employment contracts and it ruled out any suggestion that any of them would be dismissed and replaced.

Oil contract for Shetland field

British Petroleum and Shell yesterday announced the first big contract connected with their accelerated development of the Foinaven field west of the Shetland Islands. It is the first firm project in the UK's most promising frontier oil province.

A consortium of McDermott International and Golar-Nor Offshore of Norway were awarded an interim contract to enable them to begin converting a Finnish-made cargo vessel into a floating production platform capable of operating in the open ocean and deep water west of Shetlands.

The companies envisage initial Foinaven production of about 75,000 barrels a day starting late next year or early in 1996.

The full contract, which could be worth as much as $750m over a life of five to 10 years, would follow government approval of the proposed Foinaven development. It will also need the approval of the BP and Shell boards.

In a departure from the usual North Sea practice, BP and Shell will relinquish responsibility for operating the field to the consortium, which will also retain ownership of the production vessel.

The consortium will also be responsible for operating a tanker shuttle system to transport the oil to a land terminal, which has yet to be designated.

Foinaven, which lies in 500 metres of water 190 km west of Shetlands, is one of two discoveries which BP and Shell have made in the area. Each of the fields contain between 250m-500m barrels of oil.

Rise in drug seizures

The war against drugs can never be won despite the seizure of a record £75m worth of illegal substances at London's airports last year, HM Customs said yesterday.

"There is a way to stop drug smugglers and that is stop every single passenger. It's not acceptable to the politicians or to the general public," said Mr David Chesters, Assistant Collector for Customs at Gatwick.

He was speaking as Customs unveiled figures for confiscations at Heathrow, Gatwick and Stansted in the financial year ending in March.

Drug seizures rose from 1,637 with a street value of £70.8 million in 1992-93 to 1,724 worth £75 million in 1993-94.

Mr Douglas Tweddle, Customs Collector for London airports, said: "There will always be incentives for people to sell narcotics. We cannot stop the problem without draconian measures."

Secret service scrutiny set

The new Intelligence and Security Committee, which is to scrutinise the expenditure, administration and policy of Britain's secret services, is expected to be up and running before the year-end, according to Whitehall officials.

The six-strong body is to be appointed by the prime minister from among MPs and peers following consultation with the leader of the opposition.

It will present an annual report to the prime minister which will then be laid before parliament.

Adams in IRA ceasefire talks

Sinn Féin leader Mr Gerry Adams spoke last night of "guarded optimism" over the prospects for peace in Northern Ireland after he disclosed discussing a ceasefire with the IRA.

Speaking 10 days after Sinn Féin effectively rejected the Downing Street peace declaration, Mr Adams insisted: "The peace process remains firmly on the tracks and it is my view that it will not be derailed, and, in fact, that it can move forward."

The IRA confirmed in a statement on Tuesday that Mr Adams had given them, at their request, "an assessment of the current situation ... as part of our overall consideration in regard to the peace process".

The development followed persistent speculation on both sides of the Irish border about the prospects of an early limited IRA ceasefire. Sinn Féin had been strongly critical of the declaration after a specially-convened conference in Co Donegal last month.

BA cabin staff in strike vote

British Airways cabin crews are to be balloted on industrial action which could ground flights from Manchester and Birmingham airports.

More than staff from the national airline's regional arm will vote tomorrow over whether to take action in support of a claim that they are being treated unfairly over holiday payments.

Action could be set for early next month, hitting passengers travelling during the end of the summer holidays.

British Airways operates 30 services a day from the two airports.

MANAGEMENT: MARKETING AND ADVERTISING

Calvin Klein's new unisex fragrance is aimed at young consumers, reports **Alice Rawsthorn**

A nose for innovation

The word unisex somehow seems trapped in the 1970s, when entrepreneurs tried to persuade the children of the 1960's sexual revolution to sport the same haircuts, wear the same jeans and use the same toilets.

Unisex, or the concept behind it, is now set for a revival as Calvin Klein – the US fashion designer behind such best-selling fragrances as Obsession, Eternity and Escape – prepares for this autumn's launch of cK one, his latest scent. Whereas Eternity, Escape and other perfumes are aimed either at women or men, cK one will be what Calvin Klein calls a "shared fragrance" for the young consumers who, he believes, are ready to buy a scent created for both sexes.

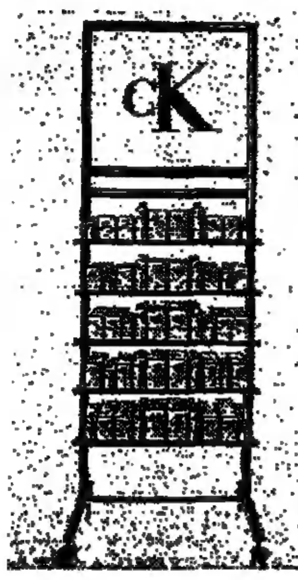
"It's different from everything else we've done," says Kimberley Delsing, chairman of Calvin Klein Cosmetics, a subsidiary of Unilever, the Anglo-Dutch consumer products group.

"This company is known for big fragrances with big smells. But our research told us there was a new generation of young consumers out there who want something new and fresh with a lighter smell that doesn't fit into the conventional categories. That's cK one."

Calvin Klein is not the only cosmetics company to have detected a demand from consumers for innovation in the fragrance market. After an uncertain period in which the industry has adopted a conservative approach to product development, a number of other groups – notably L'Oréal of France and Japan's Shiseido – are now becoming more experimental.

The prestige perfume market remained relatively resilient during the recession and has grown rapidly as economic conditions have improved. Industry estimates suggest that retail sales have risen by up to 7 per cent in the US and Europe since the start of 1994. Yet profitability has been depressed by the expansion of big companies – such as France's Elf Sanofi and Estée Lauder of the US, as well as L'Oréal, Shiseido and Unilever – which has heralded a new era of escalating advertising budgets. The cost of launching a new fragrance worldwide has risen to $40m (£26.6m) thereby raising the risk of costly failures.

These pressures have encouraged the industry to play safe in the presentation of new products. The most successful new scents of the 1990s – Trésor from L'Oréal and Champagne, the first Yves Saint-Laurent launch since its acquisition by Elf Sanofi – have targeted the classic fragrance market by reflecting traditional



images of luxury in their advertising.

The first sign that there was also a demand for something different was the runaway success of the fragrance launched last spring by Jean-Paul Gaultier, the ageing *enfant terrible* of French fashion. His scent has a fairly classic smell, but breaks all the industry rules with its punky advertising campaign and a bottle (designed by Gaultier himself) in the form of a woman's torso encased in an aluminium can.

Chantal Roos, chief executive of Beauté Prestige International (BPI), the Shiseido subsidiary behind Gaultier, says they set out to create a perfume to "capture the spirit of his fashion – witty, creative, slightly controversial". The strategy has worked with some European stores running out of the scent last Christmas.

"Gaultier's success taught us all a lesson," says Georges Klarsfeld, director of L'Oréal. "It told us that some consumers were tired of seeing the same old images in perfume advertising – the classy women jumping out of private jets or fancy cars. They wanted something they could relate to."

L'Oréal's response is Eden, the new Cacharel fragrance introduced in Europe this spring. Eden is designed to appeal to the ecologically concerned consumers of the 1990s. Its advertising features evocative rainforest scenes and Eden is packaged in a green bottle with no discernible brand name. The bottle is made from an opaline substance that changes colour to ensure that each one is unique.

Eden has already beaten its sales targets across Europe, according to Klarsfeld. L'Oréal is now preparing for its US launch next spring. Similarly BPI plans to take Gaultier to North America this autumn. Comme des Garçons and Yohji Yamamoto, two avant garde Japanese designers, are also finalising plans for fragrances which, like Gaultier, will reflect the idiosyncratic themes of their fashion.

But the most iconoclastic new product of all is undoubtedly cK one. Having decided to break new ground by launching a "shared fragrance", Calvin Klein Cosmetics is also adopting an innovative approach to marketing. It has chosen a tactically low price of $35 for a 100ml bottle of cK one eau de toilette, against $50 for Obsession. It is also introducing youth-oriented products, such as massage oil, and will sell cK one in unconventional outlets, notably Tower Records music shops.

"The stores are very excited about cK one," says Delsing. "But at the end of the day it's the customers who'll decide whether it's a success."

What makes a defector?

Alan Mitchell on a model of brand loyalty inspired by religion and politics

If your customers are satisfied, will they be more loyal? If your answer to the question is yes, you are fully in tune with current conventional wisdom. But you may also be wrong.

Customer loyalty is a modern marketing buzzword. Studies by consultants such as Bain & Co have proved that tiny increases in the rate of customer retention can produce big boosts to the bottom line. Not surprisingly, loyalty schemes are proliferating and more and more companies are tracking customer satisfaction in a bid to improve customer loyalty.

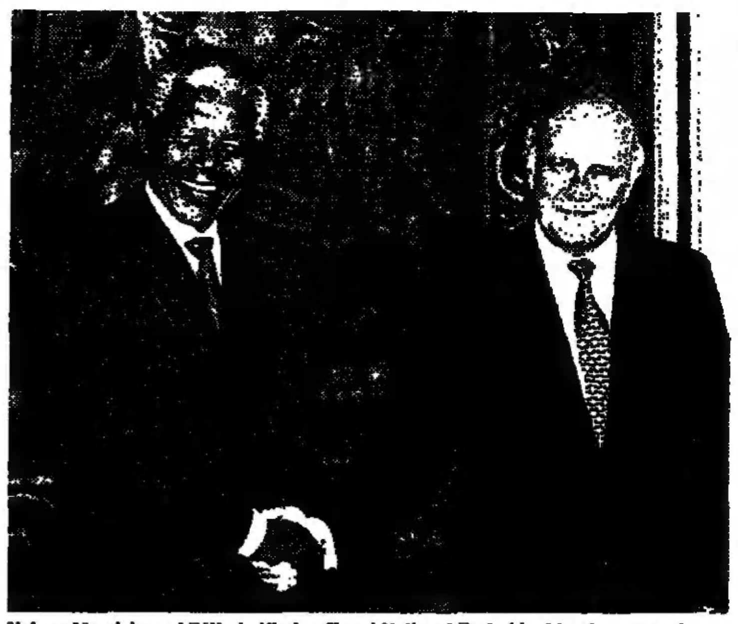
Some, such as Rank Xerox, have made customer satisfaction their leading performance indicator. Others, such as IBM UK, link staff bonuses to customer satisfaction targets.

But new research throws doubt on one of the basic assumptions behind such schemes. Sometimes disgruntled consumers are loathe to defect to another brand and never do. Others, who are 100 per cent satisfied, will switch allegiance at the drop of a hat. Last week, for instance, British Airways revealed that the defection rate among "satisfied" customers was 13 per cent – exactly the same as among customers who complain.

The key is to understand the dynamics of conversion, says Jan Hofmeyr, a South African religious psychologist turned market researcher. At any one time, he argues, a certain proportion of a brand's followers (be it a consumer product, service, political party, religion or ideology) will be on what he calls a "conversion trajectory". Effective customer retention – and the successful poaching of rivals' customers – depends on understanding the four factors that drive individuals along that trajectory.

They are: the degree to which the brand fits the individual's needs and values; the degree to which it involves the individual; the availability of an alternative; and the individual's attraction to that alternative. The first factor, the needs/values fit, is the stuff of traditional customer satisfaction surveys. But it misses the crucial element of commitment, says Hofmeyr.

Where involvement is low, for example in a consumer's relationship with his cat litter brand, loyalty switching is usually a simple "hop, skip and a jump". But where it is high – the result of heavy emotional or financial investment as in a financial services product, a car,



Nelson Mandela and F.W. de Klerk: offered National Party 'doubters' a way out

or even a marriage – people are much more conversion resistant.

Hofmeyr first developed his theories when completing a PhD on religious belief formation. In a study of South Africa's large Hindu population he found a new generation of "exceptionally unhappy" Hindus desperately trying to hold on to their beliefs. The Hindus wanted to stay loyal but large numbers ended up defecting.

He then turned to South Africa's ruling National Party, discovering in 1987 that a growing number of its supporters were increasingly restive about apartheid's long-term viability. Their doubts had never bubbled to the surface because they were strongly repelled by the alternatives. They drifted on, ambivalent, until F.W. de Klerk and Nelson Mandela offered them a way out.

Since then Hofmeyr has applied such insights, gained from the study of religious and political conversion, to nearly 50 categories, from banks to beers. Companies using the model include Anheuser-Busch, Gillette, Mobil, Nestlé, Nissan, PepsiCo, and the current soap wars rivals Procter & Gamble and Unilever.

According to his "conversion model", which he presented publicly in Britain for the first time at a Dragon International seminar recently, purchasers of any brand can be broken down into four types: "entrenched", "average", "shallow" and "convertible". The entrenched feel the brand fits their needs and values perfectly. They have no need to look elsewhere. The last two, while still "loyal" purchasers, are weakly committed, or on the threshold of defection.

Significantly, the research process (a simple two-minute questionnaire) also classifies non-purchasers into similar categories: "available", "ambivalent", "weakly unavailable" and "strongly unavailable". The crucial analysis for any brand is how many consumers fall into each of these categories, and why.

One of the main conclusions of Hofmeyr's research so far is that too many marketers allow their strategies, especially pricing strategies, to be dictated by the waverings of the convertibles, only to end up compromising the very brand values that keep their entrenched followers entrenched.

The conversion model is not the only psychology-inspired attempt to help companies delve deeper into the black box of consumer motivation. At Mathematical Market Research (MMR), researchers are employing techniques originally used to pinpoint perception differences between psychopaths and the rest of the population.

Central to the technique is the "method of triads" where the interviewee is asked in what way A and B are different or similar to C. By asking a myriad of such questions, the researcher can build up a detailed picture of the interviewee's world view.

Different levels of questioning, from "which brand do you prefer, A or B?", through "why do you prefer A?" and on to "why does that attribute particularly matter to you?", unveil consumers' preferences and what drives these preferences, says MMR managing director David Thomson. This can be used to identify gaps in what appear to be crowded, mature markets.

Hofmeyr and Thomson's theories are a challenge to those who confuse habit with loyalty, who believe that the incentives or "bribes" associated with most loyalty schemes create genuine customer loyalty, or who assume that continued repurchase is proof of customer satisfaction. They also suggest new ways for marketers to convert their rivals' loyal followers. Customer loyalty may currently be a bandwagon, but it is no longer clear that it is heading in the right direction.

How the model works

Consumers are asked questions to tease out their satisfaction and commitment to all the leading brands in a given category.

Each consumer emerges with one of many hundreds of possible combinations of answers. These are number-crunched to create a matrix. Sophisticated mathematical models, using catastrophe theory (which identifies the cusp where gradual changes stop, and a leap to a new state occurs) are then applied to break out clusters of different types of consumer, such as "entrenched" or "convertible".

At the same time, attitudes towards each brand's strengths and weaknesses are gathered. Perceptual maps, profiling the different attitudes of purchasers and non-purchasers, pinpoint why consumers are staying loyal or defecting, and suggest where marketing effort needs to be directed.

To test the model, a US tobacco company analysed the US cigarette market in June 1990. Two and a half years later, it recontacted the 2,478 consumers it had questioned. Despite price changes and volatility in the market, only 32 per cent of the "entrenched" consumers had switched brands, compared with 79 per cent of those identified as "convertible".

TECHNOLOGY

Vanessa Houlder examines the commercial applications of massively parallel processors

Finally hitting the big time

When Bass Taverns of the UK ran a promotion to boost the sales of Guinness in its pubs on St Patrick's night, it wanted to analyse the effectiveness of the campaign. Did the promotion increase sales of Guinness compared with other brands of beer? Did it boost margins? Did it build up customer loyalty?

In the past, it has always been hard to analyse these kinds of questions with any degree of accuracy. Sifting through massive amounts of data to answer complex queries was too difficult and time-consuming for the company's mainframe computer.

This year, however, marketing analysis of this type has become possible for Bass Taverns as a result of the recent introduction of a massively parallel processor, a relatively innovative type of high-performance computer.

Parallel processors use numerous microprocessors to process a number of pieces of information simultaneously, rather than one bit at a time as in conventional computers.

The power and speed of the MPP allows Bass Tavern's marketing department to manipulate sales data far more easily than before. "Someone running the estate now has information in a far more flexible form," says Mike Jones, director of IT planning and development at Bass Taverns. "They don't have to fight their way through boxes of information."

Bass Taverns is just one example of a growing number of companies which are exploiting the power of parallel processors. Data-mining – the extraction of information from databases – is at this stage one of the most popular commercial applications of these machines.

Financial institutions are using parallel processing to crunch through data to evaluate financial instruments. Retailers are using it to track the daily spending patterns of consumers. Banking and credit card companies can use it to detect fraud by going through databases and recognising unusual patterns.

Other potentially important uses include computer modelling of car designs, "just-in-time" warehousing, digital libraries, interactive multimedia and video-on-demand.

Parallel processors are not intrinsically new. Ever since the technology was pioneered in the 1970s, research departments and science laboratories have been keen users. However, labs represent a relatively small market compared with the big and largely untapped commercial market.

Many observers think the time has come for parallel processors to make inroads into the commercial market. "I think parallel database technology is going to proliferate throughout the IT community within the next few years," says Howard Richmond, vice-president of Gartner Group, a US consultancy.

He predicts that commercial applications of parallel processors, currently worth \$400m (£267m) a year, will become a multi-billion dollar market over the next few years. This enthusiasm is shared by the computer companies that are scrambling to get into the market, although some casualties are forecast as a result of more cut-throat competition, together with the cuts in the defence industry's spending on computers.

One factor hastening the advent of parallel processors into mainstream commercial use is that researchers have begun to crack the programming problems which have dogged their progress until recently.

Another reason for the upturn in interest in parallel processing is that companies are placing greater demands on their IT systems.

"Until now there has not really been a need for massively parallel processors. Now companies are needing to get a competitive edge by looking at sales trends," says Keith Rankin a marketing manager at IBM, which launched its SP2 parallel processor earlier this year.

Falling costs are also helping to attract new users. Since parallel processors often use cheap, mass-produced microprocessors, their cost can be one tenth of that of mainframes with the same theoretical processing power.

The relatively low cost of parallel processors means that companies can introduce systems that would not have been economic using mainframes. British Shoe Corporation, which is using a Meiko parallel processor to give its buyers more information about sales trends, says that it is "questionable" whether it would have justified the cost of installing the system on a mainframe.

Humberside County Council, which uses a Meiko parallel processing machine to manage the payroll records of its 60,000 employees and pensioners, likewise believes that the investment will pay for itself within three years. The machines' running costs are 20 per cent less than the mainframe which preceded it.

The flexibility of parallel processors was another attraction for the council, which has an uncertain future under the planned reorganisation of local government. Expanding the power of a parallel processing system is a relatively simple matter of adding extra processors.

"The real beauty of the system is that we can grow as big as we want without losing performance," says Bob Burchell, the council's IT manager.

The eventual size of these machines is still a matter for conjecture. Meiko, the UK-based supercomputer company, is in talks with a bank that wants to build a 2 terabyte (trillions of bytes) system for marketing purposes, which it says is about 20 times larger than the largest available mainframe. "We don't know whether it would be possible. We just don't know until we do it," says Bob Carnell, a vice-president at Meiko.

This underlines the fact that parallel processing machines are still a relatively unknown quantity. Many businesses are nervous about embracing them until their reliability has been proven beyond all doubt. "Customers who are now buying parallel machines have to be a little brave," says Robin Phillips, managing director of Parsys, a UK manufacturer.

But many of the companies which are trying out these systems believe that being in the vanguard of MPP technology could give their businesses important advantages. Norman Ellis, business systems manager of the British Shoe Corporation, believes that the technology will lead to more informed decision making.

"It turns data into information," he says. "I believe it will make quite a radical change to the business."

For a glimpse into the future of massively parallel supercomputers, step into the US Department of Energy's Argonne National Laboratory "cave".

A virtual reality environment created using an IBM SP2 massively parallel supercomputer, the cave can be used to simulate complex processes enabling researchers to see and hear physical changes as they occur and to test and modify their experiments.

IBM has demonstrated two potential applications of the cave. The first, which could provide a powerful new tool for drug development, is based on a molecular-dynamics simulation program, running on the IBM SP2. It enables a researcher to watch and interact as a drug molecule docks on to its human protein target. To show how virtual reality could be used to enhance standard industrial processes, the cave simulates a grinding process. As material is ground away from a piece of material – wood, metal or plastic – changes in temperature and stresses created by the grinding can be simulated.

"Virtual reality is most often thought of as an exotic technology for entertainment purposes, but it also has vast potential to revolutionise applications in scientific, engineering, medical and commercial industries," says Irving Wladawsky-Berger, general manager of IBM's power parallel systems group.

The Argonne virtual reality experiments demonstrate the new role that US National Labs are playing in developing technologies that are expected to have broad commercial applications. As pioneers in the use of massively parallel processors, the labs are providing a testing ground for new computing technologies.

Louise Kehoe

Cleaner ways with nuclear waste

Lionel Milgrom on an innovation with vast potential cost savings

A US company has developed a technology for handling high-level nuclear waste more cleanly and cheaply than existing methods. It also makes the extraction of strategic and precious metals more economic.

Molecular recognition technology (*MRT*) is the brainchild of Reed Izatt and Jeremy Bradshaw, professors of chemistry at Brigham Young University in Utah. The company, IBC Advanced Technology, was formed as a spin-off from the university.

MRT is a type of separation process tailored to recognise certain metals and reject others. Caesium-137 and strontium-90 are the two most important radioactive constituents in nuclear wastes, even though they occur in low concentrations. They provide 98 per cent of the heat and 97 per cent of the penetrating radiation liberated during the first 30 years after the wastes have been formed.

MRT can remove caesium-137 and strontium-90 from the waste stream, so minimising the volume of waste that has to be turned into glass and disposed of geologically. Potential cost savings are estimated to be several billion dollars.

MRT makes use of cavity-like molecules called ligands. These contain atoms that function like teeth, biting into and holding certain metals inside the ligand but not others. What determines this selectivity is the number and type of atomic teeth contained in the ligand, and the size and shape of the overall molecule.

Every metal found on earth has its own way of responding to these criteria – which means that it is possible in theory to design a ligand to recognise almost any metal and reject the rest.

When the MRT ligands are bonded chemically to solid supports, such as silica or titania, they can be used in conjunction with porous membranes or fabricated into columns and gels. This makes MRT potentially valuable in any industry where metal separation is a problem or a financial burden.

As miners exhaust high-grade copper ores, for example, the metal will increasingly have to be extracted from low-grade deposits containing large amounts of impurities. Extracting the metal by conventional methods (smelting and electrolysis), while abiding by increasingly tough environmental regulations, means *a sizeable hike in the price of* copper. MRT is a cheaper way of extracting these strategic metals.

MRT can also take out toxic metals such as lead, mercury, bismuth, antimony and arsenic from waste streams, returning clean water to the environment. New regulations are requiring a lower lead content in tin, used in the packaging, beverage and electronics industries; MRT will reduce lead levels in tin to below 30 ppm, without incurring environmental costs.

What makes MRT attractive, compared with traditional separation by precipitation, ion exchange and solvent extraction, is the speed at which it operates, and a selectivity that does not diminish however low the concentration of the desired metal becomes.

One of the company's earlier successes with the nuclear industry in 1991 was the separation of rhodium from spent nuclear fuel. Rhodium is important as one of the constituents used in catalytic converters, and European demand for rhodium is expected to increase as a result of legislation requiring new cars to be fitted with catalytic converters.

The company has formed an alliance with 3M, the US-based multinational, and Pacific Northwest Laboratories to tailor MRT for taking caesium-137 and strontium-90 out of nuclear waste. This involves using 3M's membrane technology to incorporate IBC's MRT ligands.

Testing at the US Department of Energy's Hanford site (a large underground nuclear waste storage facility in Washington state) begins later this year, but tests using non-radioactive caesium and strontium show that the IBC-3M membranes can isolate these metals at concentrations as low as a few parts per billion.

PEOPLE

Brent man's new vocation

Stephen Cuthbert, who quit a year ago as boss of Brent International, the speciality chemical maker, has reemerged as director general of the Chartered Institute of Marketing.

Cuthbert, 51, received over £250,000 in compensation when he stepped down from Brent last August, following growing City discontent about the performance of the company. His early career was spent with Price Waterhouse and he was finance director of Brent from 1976-80 and chief executive from 1980-93.

Cuthbert has been active in the CBI and was chairman of the CBI southern regional council.

Sir Colin Marshall, British Airways chairman, who is also president of the Chartered Institute of Marketing, said that Cuthbert's "strong corporate background will give the Institute further weight in its urgent task of establishing marketing at the top of every business agenda".

The former CIM chief executive, James McAinsh, has retired. He held the post from March 1992.

The CIM, which has a total of 50,000 members and students, is the professional body for marketing and sales, and is particularly known for its training courses.

Non-executives

■ Raymond Seitz (above), until recently US ambassador to the Court of St James's, at THE TELEGRAPH.

■ David Wilbraham, chief operating officer at Laporte, at ST IVES.

■ Gareth Cooper, managing director of Stena Sealink, at EAST MIDLANDS ELECTRICITY.

■ William Reid at DIPLOMA.

■ Hans Reischl, chief executive of REWE, one of the largest food retailers in Germany, is stepping down from BUDGENS.

He will be succeeded by Heinz-Otto Luhr, director responsible for international development at REWE.

■ Steven Mills, managing director of BROMSGROVE INDUSTRIES and one of the architects of its strategy to grow primarily through acquisitions, is stepping down.

His departure is further evidence of the change in direction at the specialist engineering group, where consolidation has replaced diversification as the preferred method of increasing earnings.

Mills arrived in 1987 as part of the management team chaired by Bijan Sedghi. Since then, shareholders' funds have expanded to £36m from £5.7m.

But with the accent on organic growth and the number of operating divisions cut from six to three, Mills' financial background has become less relevant. "We do need an engineer at the centre," said Sedghi.

There seem to be no hard feelings about the parting of the ways. Sedghi called Mills "a man in a million" and stressed that Mills would not be severing his links - he would advise on the group's property interests and stay on as an independent trustee of the pension fund.

The decision that Mills would go was taken during discussions at which Mills was present. "The discussions were sensible, amicable, the decisions maturely arrived at," Sedghi said.

The company is now looking for a replacement.

Watery processes

North West Water has appointed a managing director to turn round the fortunes of its process division.

John Beckitt, 46, comes from ICI, where as international business manager for its KLEA business he was responsible for developing, manufacturing and marketing a range of refrigerants as alternatives to CFCs.

His task at the process division will be to reverse the recent decline which has seen profits before interest and tax fall from £19.7m to £8.8m in the last year. The division has suffered from a delay in expected spending on water treatment equipment by US city councils.

Brian Staples, North West's chief executive, said Beckitt was well-qualified to oversee the division's development. "John's wide expertise in developing manufacturing and marketing technical products in an international market makes him the ideal candidate," he said.

"Under his leadership I fully expect the process equipment division will progress strongly to make a valuable contribution to the group's overall performance."

The division, recently created by the merger of North West's process equipment and instrumentation businesses, employs more than 2,000 people in North America, Australasia, and Europe.

ARTS

Cinema/Nigel Andrews

In praise of femmes fatales

A great many women today are involved in dreadful crimes. We only just recover from knife-wielding Glenn Close when along comes ice-pick murderess Sharon Stone. A little later, Nicole Kidman and Kim Basinger join the roguesses' gallery. And last week a lustful, power-crazed woman known simply as "Queen" abandoned her step-daughter in a forest, causing the girl to fall prey to mineworking dwarfs.

Yes, we know, that last incident actually took place 50 years ago and has been "revived" for modern filmgoers. But that only makes our point for us. Terrifying women – call them *femmes fatales* or vindictive queens, call them Joan Crawford or Sharon Stone or Snow White's step-mother – pop up in history whenever men feel nervous about a changing power balance in the sex war.

THE LAST SEDUCTION (18)
John Dahl

WE DON'T WANT TO TALK ABOUT IT (PG)
Maria Luisa Bemberg

ZERO PATIENCE (18)
John Greyson

THE EMAGINATOR

Such films have the label *"noir"* attached to them, being sinister, paranoiac and lit with the single flickering flame of the director's misogyny. The style is common to the 1990s and the 1940s, since both eras rejoice(d) in a Hollywood patriarchy living in terror of women taking power. The sole difference is that "Feminism Strikes!" (1990s) has replaced "Women Take Over The Workplace!" (1940s) as the anxiety headline.

The lovely thing about these phobic films is that they suit both sexes. Take John Dahl's splendid *The Last Seduction*, from the man who brought us prior *noirs*, *Kill Me Again* and *Red Rock West*. Men can swoon at the dominatrix whip wielded (metaphorically speaking) by sultry, darkhaired Linda Fiorentino, a go-getting wife who gets gone with $700,000 of her drug-dealing husband's money. And women can cry "Way to go, *Linda!*" as she outwits all the men in her life thereafter: from the husband himself (Bill Pullman) to the provincial hick (Peter Berg) with whom she forms a new partnership in crime and carnality.

In the little town of Beston our heroine takes an assumed name, an insurance company job and a season ticket to sexual delirium. Very modernly done, this last. No '40s-style censor-dodging innuendo. Straight out with the hard stuff. Girl (Fiorentino) meets boy (Berg) in bar. Girl puts hand inside boy's fly. Girl sniffs withdrawing hand approvingly. Soon they are crawling all over each other in beds and cars and garbage areas.

I hear you tut-tutting already. "No style, no wit, no obliquity!" you tut, thinking back to the days when all Lauren Bacall was allowed to do on screen with Humphrey Bogart was ask him if he knew how to whistle. But *The Last Seduction* has lashings of style – Dahl knows when to fit a lightning storm into the visual heraldry, or when to close in on a cigarette surreally stubbed out in an apple pie – and not a little wit. When the heroine first comes to Beston, she suffers instant culture shock. Everyone in the street says "Good morning" to her: and her startled reaction limns at a stroke the contrast between the ships-in-the-night New York she has left and the dotty, convivial Eden she has arrived in.

There is high-style obliquity too, only not wasted on the labour of being indirect about sex. When Fiorentino hatches her scheme to get rich as a hit-person – tapping into credit card statements, she tracks down wealthy men who have betrayed their spouses and suggests her services to the wives – the film becomes a delicious black comedy of insinuation. For the great thing about women as prime movers in a plot is that they can draw on decades, or centuries, of supposed gentility in order "innocently" to moot the unmentionable.

Another heroine who knows her mind and mobilises it is the mother in Maria Luisa Bemberg's *We Don't Want To Talk About It*. This Argentinian film comes from the lady who gave us *Miss Mary* and *I, The Worst Of All*: Bunuel-suave tales of sex and gnomic violence. The new movie, drawn from a magical realist novel by Julio Llinas, tells of dwarf girl Carlotta, her normal-height widowed mother (the formidable Lustina Brando) who hopes to marry her off, and Marcello Mastroianni as a lovestruck charmer who keeps travelling round the world and back again before finally popping the question.

The short/tall, May/December, wanderer/homebody romance plot is just one if the film's offbeat charms. Bemberg draws a rich portrait of a determined woman; and a funny-malicious picture of a little town where gossip is the main industry, closely followed by social hypocrisy. When the Mayor dies in the middle of a wedding – *that* wedding – everyone pretends not to notice; and he is shoved into a bathful of ice-cubes afterwards so as not to spoil the party. Like an impossible wine, at once sweet and dry, the film goes its intoxicating way towards an ending no less startling and funny for being utterly inevitable.

John Greyson's *Zero Patience* is an Aids musical from Canada. Anything that will shake the grip of this disease – even the use of jollity to judder people into a greater awareness of it – is welcome. But then again (donning film critic's cap): just because a movie is brave and well-motivated does not mean it is any good.

No problem with the giddy production numbers and their up-yours lyrics – "I got Kaposi's! I got retinitis!" And all power, in the cause of populist shock therapy, to the chorus of singing sphincters.

No, what distresses is the straight-and-stuffy stuff. All that rheumatic "comedy" involving Victorian explorer Richard Burton (John Robinson), who has been allowed a surreal life-extension as a Toronto taxidermist (sic) assembling a multi-media exhibition on the disease's history. With help from the ghost of Patient Zero (Normand Fauteux), the Air Canada flight attendant said to have brought the disease to America, Robinson-Burton emcees the film in his dreadful "English" accent and wages his own brave but boring battle with homophobia.

The movie would love to be ludic and sometimes it is. More often, though, it resembles an ill-edited varsity revue: full of smirking sophomores who think that a mixture of scholarly allusiveness and knees-up vitality will slay them all in the college prom.

★

Finally, a "Where did you read it first?" footnote. I now demand my own Richard Burton Award for having been the first into uncharted cine-territory. "The Emaginator," newly packing them in at London's Trocadero centre, is a white-knuckle movie-show cum stunt-ride which you really should experience. You roll and pitch in a movement-simulator seat while watching frighteningly realistic footage of speedy mountain roads, corridors in space, dangerous mine tunnels.

The reason the film is so vivid is that it was shot at an all-but-flicker-free 60 frames per second, in a system first promoted under the name "Showscan." FT readers will have learned of this in March 1988, when I brought the news of techno-breakthrough back from Hollywood.

Back then I was asking, Why can they not introduce this system into feature films? Now I ask it again. We know the usual answer: money. But it is time we all spoke up and said to Hollywood, "Stop. Change direction *now*!" We would surely rather have millions spent on a serious advance in screen technology than tens of millions spent on otiose production values and ageing, overpaid stars in summer rubbish like *The Flintstones* and *Maverick*.

'Innocently' mooting the unmentionable: Linda Fiorentino as the prime mover in John Dahl's 'The Last Seduction'

Ballet

Pages's 'Renard'

In this week's triple bill, just as the season ends, the Royal Ballet has brought Ashley Page's *Renard* to the Opera House stage. Page created it earlier this year for the welcome and enterprising *Dance Bites* tour which took a group from our national ballet to smaller regional theatres with newly made choreographies. I reported on the piece at its February showing in Leicester. It is characteristic of Page's work that he should chose a fine artist to give the production a vivid painterly image, and Bruce McLean, who designed Page's *Soldat* for Rambert, has massed the stage with bold shapes, bold colours.

Stravinsky's *Renard* is an awkward score, embedded in Russian peasant tradition, and nothing Page or McLean do can make it either comprehensible or very entertaining. (In a Diaghilev staging, the farmyard characters were performed by acrobats, which suggests a certain despair about the piece). Page's version looked rather better in the closer confines of the Leicester stage than at the Opera House, where its faux-naivetés lose some point. Interpretations at performances on Monday and Tuesday nights were strong, and I much enjoyed the playing of Jonathan Cope as the Fox, Gary Avis as the Goat and Matthew Trent as the Cat – big, clear dancing. But *Renard* is, I hazard, an impermanency: that cussed score and thin narrative do not invite repertory life, well played though the music was under Lionel Friend.

Jonathan Cope was also a persuasive Belyayev in *A Month in the Country*. The staging is, alas, now looking very mannered. The characters go through their paces like well-trained circus animals – nipping through various flaming dramatic hoops; putting not a foot wrong, and not a living emotion right. Some interpretations are now barnacled, and Ashtonian nuance, and no-less-necessary Ashtonian chic, are lost in a flurry of silk, lace, ribbons, and other items of old Russian knick-knackery. There is a good deal too much semaphoring going on.

Cope takes the stage and we see a young man of undeniable physical allure, and – rare in this role – potent masculinity, caught up in a turmoil he cannot properly comprehend. The dance is full in tone, full in meaning. The character is alive. So, too, is Sarah Wildor's Vera. Miss Wildor has an inborn sense of how to time and sustain gesture, how to hold emotion on a broad phrase of dynamics: it is the dance equivalent of bel canto. Her Vera, like Jane Burn's sweetly vulnerable performance on Monday night, showed us the girl's heart. Other performances only showed us the clothes. As a cross-cultural note, I record that the footman, Matvey, is now played as one of the lads from Takarazuka, with a good deal more maquillage than credibility.

The bill is completed with David Bintley's *Tombeaux*, in gleaming condition. The ensemble is sharp, clear in style; the central performances by Viviana Durante and Bruce Sansom on Monday night were eloquent, elegant – Miss Durante beautifully mondaine in manner. The closing moments in which Sansom circles round his ballerina and sweeps away into the night is a wonderful choreographic image. I still deplore the men's costumes: funereal long johns that turn them into neckless monsters. The girls in their amethyst tutus are beautiful.

Clement Crisp

The Royal Ballet season ends, with a run of performances of *Romeo and Juliet*, on Saturday.

Theatre/Alastair Macaulay

Southerne's 'The Wives' Excuse'

Alastair Muir

Lesley Manville: a brilliant study in the perils of female wit

Here is a fascinating new old play – one not seen since it was new at Drury Lane just over 300 years ago; it failed then, but succeeds now. It tells a new old tale of men working to manipulate women for their own sexual gratification, and of women resisting those manipulations and exercising what independence they can.

The title is *The Wives' Excuse*, the subtitle *Cuckolds Make Themselves*; and the author, Thomas Southerne, is better known for his tragedy *Oroonoko*. Though parts of the highly complex plot are bewildering, what emerges powerfully is a vivid, serious Restoration Vanity Fair in which *liaisons dangereuses* flourish. The characters repeatedly look vice in the face like their old familiar, and yet most of them retain a disturbingly sharp moral sense. And while all too many of the men voice a view of women so narrow as to be more or less misogynistic, enough of the women – in very different ways – struggle to maintain their own worth.

While almost all the cream of current Stratford actors are occupied in Adrian Noble's concurrent production of *A Midsummer Night's Dream*, the director Max Stafford-Clark has achieved here such excellent ensemble that not even the weakest individual performances puncture it for an instant. In this production, he achieves results far finer than in his previous RSC stagings of *A Jovial Crew* and *The Country Wife* (the latter currently playing at the Pit) – no doubt because he has found a play here that best sparks his flair for social and sexual criticism.

From the first moment, he creates a convincing and multi-faceted world of refined manners and crude desires. And, best of all, he makes it fast. True, details of the plot whirl past so rapidly that we cannot keep up with them, but this does not matter, for everything shows us a world onstage that rattles along at its own rate and with its own inner life. He even transposes the play into Regency costume to good effect, turning its male rakes into bucks and beaux who play upon its Empire-lined heroines.

One performance stands out: Lesley Manville as Mrs Wittwoud, the most cynical and least virtuous woman in the play. This performance, a model of economy, has wit, danger and complexity. It reaches its peak in a brief soliloquy in which Mrs Wittwoud reflects on the dilemma of being known for wit rather than virtue. "'Tis not enough for a woman to be handsome; there must be a probability of making that handsome woman kind, to make a man in love with her... Now, from one of my character, who have impertinently prated away so much of my time – in setting up for a wit, to the ruin of other people's pleasure and loss of my own – what encouragement for probability can there be, but that, as I have lived a fool, I ought to die repenting, unpitied, and a maid? If I had died a maid, 'tis but what I deserved for laughing off their charitable design of making me otherwise."

What a speech! – and how freshly delivered. Without any sacrifice of period style, Manville makes us see Wittwoud as clearly as if she lived today, and makes her a study in the perils of feminine wit to be set beside those in Congreve, Austen, Trollope, or Wilde.

The cast is large. It would be easy to pick at flaws in various other performances – some of the better-behaved female characters should have as much force, intelligence and inner conflict as Mrs Wittwoud – but one's main sensation is of excitement in following so lively and serious a sexual comedy. Purcell songs are sung, albeit with too little confidence or grace, before and during the play, and they beautifully heighten its elegant climate. Julian McGowan's set marvellously looks as if it were built into the Swan Theatre. And the action is so well focused that it reminds me again that of the RSC's five regular theatres the Swan is the most actor- and audience-friendly.

In RSC repertory at the Swan Theatre, Stratford-upon-Avon.

INTERNATIONAL
ARTS GUIDE

FESTIVALS

■ EDINBURGH

● This year's festival (Aug 14-Sep 3) is one of the most ambitious of recent years, spurred by the opening of a major new venue, the Edinburgh Festival Theatre.

● The drama line-up is headed by Peter Stein and Robert Lepage. Stein presents a Russian cast in a seven-hour production of Aeschylus' Oresteia trilogy (Aug 25-28), while Lepage gives a world premiere of his new work The Seven Streams of the Rover Ota, the river which runs beneath Hiroshima (Aug 14-21). Among the other theatrical works on offer are Goethe's Torquato Tasso in an English translation (Aug 15-20); J.M. Synge's The Well of the Saints from Dublin's Abbey Theatre (Aug 24-28); two Shakespeare plays - the Berliner Ensemble's German-language production of Antony and Cleopatra (Aug 16-18) and a French-language production from Orléans of The Winter's Tale (Aug 23-25); and the UK directorial debut of Luc Bondy in a quintessential international festival production, a wordless play by Peter Handke involving 30 actors playing 400 characters (Aug 31-Sep 3).

● The dance programme is headed by an Edinburgh favourite, the Mark Morris Dance Group (Aug 20-22). The dance programme also features the Lucinda Childs Dance Company (Aug 23-25) and Merce Cunningham Dance Company (Aug 27-28).

● Beethoven is the main festival composer this year. Scottish Opera presents the opening production of Fidelio. All nine symphonies will be played by orchestras from Cleveland, Stavanger and Hamburg, plus the Orchestra of the Age of Enlightenment, as well as the five piano concertos and many of the string quartets. Among the musicians involved are Alfred Brendel, Andras Schiff, Richard Goode, the Borodin Quartet, Frans Brüggen, Christoph von Dohnanyi and Günter Wand. Chabrier is the other featured composer, with performances of three of his stage works. Roderick Brydon makes a welcome return, conducting the Australian Opera's production of Britten's A Midsummer Night's Dream (Aug 25-27). Donald Runnicles conducts the opening performance of Mahler's Eighth Symphony on Aug 14, and Charles Mackerras the closing performance of Elgar's The Dream of Gerontius on Sep 3.

● Official Festival: 031-225 5756. Fringe: 031-226 5257

■ GLYNDEBOURNE

The remainder of the season consists of Glyndebourne's classic production of The Rake's Progress in David Hockney's sets (August 5, 8, 11, 14), a revival of Trevor Nunn's 1992 production of Peter Grimes with cast headed by Anthony Rolfe Johnson and Vivian Tierney (Aug 6, 9, 12, 15, 17, 20, 23, 25), and the new Simon Rattle/Deborah Warner production of Don Giovanni, with a cast led by Gilles Cachemaille (tonight, Aug 7, 10, 13, 16, 19, 21, 24). The verdict so far on Glyndebourne's new theatre has been extremely positive. (0273-541111)

■ LUCERNE

Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous slant. Focal points this year (Aug 17-Sep 10) are a 70th birthday tribute to Swiss composer Klaus Huber (whose new piano concerto will be premiered by Andras Schiff) and a wide-ranging exploration of the way music is interpreted. Four different performances will be built around Schubert's Winterreise, including a new opera. There will also be a series of offbeat events breaking all the rules of traditional concert form. The conventional side to the festival is as strong as ever, with leading orchestras from Berlin, Vienna, Amsterdam, Cleveland and Dresden, and conductors ranging from Colin Davis and Claudio Abbado to Kurt Sanderling and Paul Sacher (041-235272)

■ MACERATA

This year's operas are Carmen (till Aug 11), La boheme (till Aug 12) and L'elisir d'amore (opening tonight). The Bizet, conducted by Alain Guingal and staged by Gilbert Deflo, has changing casts including Denyce Graves/Lucia Valentini Terrani in the title role and Neil Shicoff/Fabio Armiliato as Don José. Giusy Devinu sings Mimi in the Puccini, and the Donizetti cast is headed by Valeria Esposito, Pietro Ballo and Enzo Dara (0733-230735)

■ MONTREUX

Montreux offers a sultry setting on the shores of Lake Geneva and a haphazard collection of orchestras and soloists from the summer festival circuit. This year's programme opens on August 21 with a Pollini recital and ends on September 23 with Martha Argerich playing Beethoven's Second Piano Concerto, accompanied by the Lyon Opera Orchestra. Other visitors include Anne Sophie Mutter (Aug 24), the Pittsburgh Symphony Orchestra (Aug 25), Riccardo Chailly and the Royal Concertgebouw Orchestra (Aug 31), Ton Koopman and the Amsterdam Baroque Ensemble (Sep 5) and the Orchestra of La Scala Milan with Carlo Maria Giulini (Sep 8). Most events take place in the cavernous modern Auditorium Stravinski (021-963 5450)

■ PESARO

This exquisite walled town on the Adriatic was Rossini's birthplace. Each year it brings together genteel lovers of the Italian maestro's music, who come to explore some of his lesser-known operas, alongside bucket-and-spade beach-goers. This year's programme (August 11-29) includes a new production of the one-act dramma giocoso L'inganno felice, staged by Graham Vick and conducted by Carlo Rizzi; a revival of the 1992 production of Semiramide, with Roger Norrington making his Pesaro conducting debut; and L'Italiana in Algeri starring Jennifer Larmore (0721-33184)

■ SAN SEBASTIAN

This year's festival (Aug 10-31) includes Carmen with Denyce Graves; concerts featuring the Royal Liverpool Philharmonic Orchestra, the English Baroque Soloists, Ruggero Raimondi and Christian Zacharias; and an impressive series of church concerts (Quincena Musical, Teatro Victoria Eugenia, Reina Regente s/n, 20003 San Sebastian, Spain. Tel 043-481238 Fax 043-430702)

■ SANTA FE

Santa Fe has just given the American premiere of Judith Weir's Blond Eckbert, less than four months after it was unveiled by ENO in London (till Aug 12). Francesca Zambello produces this and Il barbiere di Siviglia (till Aug 26). This year's other new productions are Tosca, directed by John Copley with Mary Jane Johnson in the title role (till Aug 27), and Entführung directed by Graham Vick (till Aug 24). A revival of Göran Jarvefelt's 1984 production of Intermezzo completes the bill, with Sheri Greenawald and Dale Duesing as the Storchs. And the pleasures of the place itself never pall (505-986 5900)

■ SANTANDER

A baritone gala concert on Sat features Giuseppe Taddei, Piero Cappuccilli, Leo Nucci, Paolo Gavanelli and Juan Pons. The Kirov Opera ensemble is scheduled to present Boris Godunov on Aug 12. Other visitors include the Dresden Philharmonic Orchestra, Georgian State Opera Ballet, King's College Choir of Cambridge, Anne Sophie Mutter and Prague Chamber Orchestra. Ends Aug 31 (Festival Internacional de Santander, C/ Gamazo s/n, 39004 Santander, Spain. Tel 042-314819 Fax 042-314767)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. This weekend's concerts are conducted by David Wroe and Seiji Ozawa, with a line-up of soloists including Emanuel Ax, Joshua Bell and Yo Yo Ma. Sunday afternoon's programme includes John Harbison's new cello concerto. Next week's concerts feature the Vermeer Quartet, the Pittsburgh Symphony Orchestra and a performance of Khachaturian's Violin Concerto by Itzhak Perlman. (Ticketmaster Boston 617-931 2000 Western Massachusetts 413-733 2500 New York City 212-307 7171)

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Right man at the right time

BOOK REVIEW

AMERICAN ECONOMIC POLICY IN THE 1980s
Edited by Martin Feldstein
University of Chicago Press
$75, 823 pages

Do exceptional individuals make history or are they the blind instruments of deeper structural changes? In the case of economic policy in the 1980s, the personal ideologies of leaders such as Ronald Reagan now seem less important than pundits once thought.

This, at any rate, is the drift of Professor Martin Feldstein's argument in this cool appraisal of a still controversial decade. Reagan's push for sharply lower tax rates, deregulation and smaller government (except defence) aroused intense opposition, especially among left-wing Democrats. Yet Feldstein argues convincingly that such reforms were a logical – probably inevitable – reaction to changed circumstances.

He points out that the post-war Keynesian policies attacked by Reagan had become anachronistic. They were an emergency response to frighteningly high levels of unemployment and unused capacity in the Great Depression. The magnitude of this crisis prompted economists to drop their usual emphasis on incentives and efficiency and stress instead the importance of demand management and government intervention.

Yet since demand deficiency was never a serious problem after 1945, at some point a renewed focus on economic incentives and entrepreneurship was all but inevitable. Within the economics profession, the shift began in the 1970s as economists such as Feldstein began to emphasise the adverse effects of high marginal tax rates and generous government transfer programmes. Meanwhile, the pernicious interplay of high inflation and an unindexed tax system destroyed returns on many forms of saving and investment, fuelling popular demands for reform.

The claim that something akin to Reaganomics was inevitable gains plausibility if you recall that market-friendly reforms were adopted (to a greater or lesser degree) in nearly all industrial countries in the 1980s, including nominally socialist regimes. And although enthusiasm for free markets has waned somewhat since, there has been little backsliding – nobody seems to want the penal income tax rates of the 1970s.

In Feldstein's view, Reagan was smarter than generally recognised. He handled meetings adroitly and managed to "convey a clear sense of policy direction without limiting his future flexibility". Unlike George Bush, he avoided theatrical "read my lips" type commitments on future policy. He sincerely believed in low taxes and smaller government, but was not an extreme supply-sider: in private conversation he showed few signs of believing that income tax cuts would boost growth sufficiently to be self-financing.

Feldstein has little doubt that Reagan was a net plus for the US economy. In the approach to the 1982 congressional elections, with the jobless rate above 10 per cent, Reagan staunchly supported the Federal Reserve's tight monetary squeeze, thus ensuring that double-digit inflation would be tamed. He improved incentives by reducing tax rates at all income levels, by indexing allowances for inflation and by eliminating many loopholes; the top rate fell from 70 per cent to 28 per cent, before rising under Bush. Although he failed to cut overall public expenditure, he did reduce domestic discretionary spending from 7.9 per cent of gross domestic product in 1980 to 6.1 per cent a decade later, no mean achievement given Democratic strength in Congress.

There were setbacks. Despite an aversion to high taxes, Reagan signed a tax bill in 1986 that raised the capital gains tax by 40 per cent. He agreed a big increase in social security contributions, thus securing the long-term future of a public pension scheme that he once hoped to privatise.

The biggest irony, of course, was that Reagan, a politician ostensibly committed to balanced budgets, presided over record federal deficits. Feldstein does not minimise the damage they did by depressing the US savings rate. But he does argue, plausibly, that having created deficits, other much-criticised aspects of policy then made sense. Thus the trade deficit enabled the US to borrow from abroad and sustain a much higher rate of investment than would otherwise have been possible. The dollar's volatility, meanwhile, was the only practical way of resolving the inconsistency between monetary and fiscal policy.

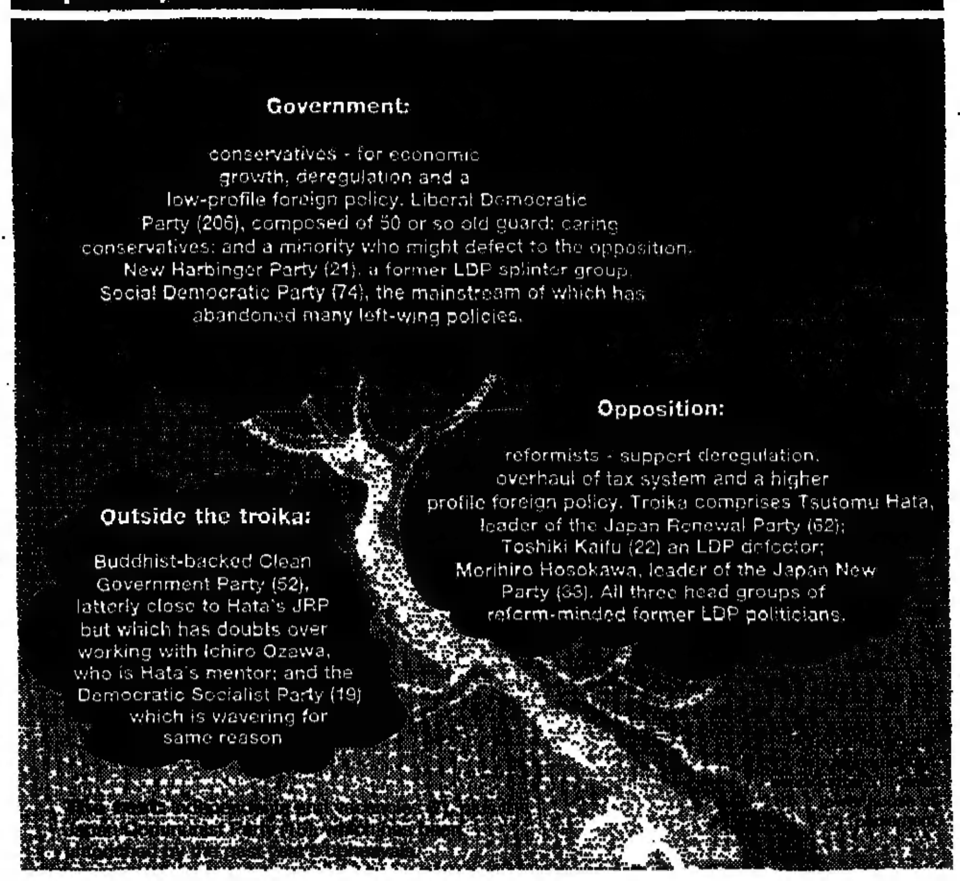
There is one defence of deficits that Feldstein might have emphasised. This is that they acted as a crude brake on public spending. Had Republican presidents raised taxes to keep pace with the spending demands of congressional Democrats, expenditure would have spiralled upwards even faster. And if Bill Clinton had inherited a balanced budget, you can be certain that the US would today be embarked on a far more ambitious programme of public investment.

Feldstein and other contributors leaven their analysis with vivid personal recollections, making this a surprisingly readable as well as scholarly volume. Topics covered include monetary, budget, tax, trade and regulatory policy. Yet there is one striking omission. Feldstein finds room for a chapter on health and safety regulation, yet unaccountably ignores the US labour market.

There is little discussion of the Republican success in creating some 20m jobs or of its controversial policy changes, such as the phasing out of many public training programmes. And the book is silent on what has become the principal criticism of Reaganomics – the fact that stagnant or declining real wages for many workers led to greater inequality of income and wealth. Yet it was this shift that created the sour public mood of the early 1990s – a mood that enabled the Democrats to regain control of the White House.

Michael Prowse

Japan's political tree



Japanese politicians are spending August locked in cabals and committees, says **William Dawkins**

Summertime, and the going is busy

Pity Japan's poor politicians.

While their European counterparts head for Tuscany or the beach for their August break, Japan's politicians will be hard at work, in Tokyo's choking heat and humidity, for the second summer in a row.

Take the leaders of the fragmented seven parties of the mainstream opposition. They will spend much of the next few weeks talking – in a meeting room in the Hotel Okura, an ostentatious 1950s building in central Tokyo – about how to forge a single grand party.

The hotel is favoured by former prime minister Toshiki Kaifu, who defected from the LDP to the opposition last month, for the discretion of its staff and its pleasant swimming pool. His chances of becoming prime minister again will sink or swim on the result of these talks.

This time last year, what is now the opposition was struggling to form a coalition government after a general election ended nearly four decades of rule by the conservative Liberal Democratic party. Three governments later, the LDP has schemed its way back into power by forming a curious partnership a month ago with its former arch-enemy, the leftwing Social Democratic party.

The old structure of Japanese politics has been turned upside down in the past year.

The aim of the Okura talks is to regroup into a single large opposition, informally christened *Shin-shinto* or the "New New party", capable of challenging the LDP-SDP alliance in a general election. A troika of former prime ministers, Mr Tsutomu Hata, Mr Morihiro Hosokawa and Mr Kaifu, met in the Okura on Thursday, for the second time, in an attempt to get *Shin-shinto* moving.

For its part, the new government will be just as busy. Cabinet ministers will be locked in parliamentary committee meetings churning through the backlog of urgent legislation, from tax reform to the redrawing of electoral boundaries, delayed by the past year's epic power struggles.

While the politicians toil, the public can look forward to a novel experience, a return to a period of stability. The heat wave, dog shows and the import bargains resulting from the high yen have over the past weeks supplanted politics as the top items on television news.

It is no surprise that politicians have decided to go backstage. Voters have given up trying to discern the difference between the nascent New New party, the Japan Renewal party, the Japan New party, the New Harbinger party and the New Future party. And the likely date of the next election is receding by the day.

When the LDP-SDP odd couple took power a month ago, it seemed they would only just manage to suppress their policy differences until the autumn, when new electoral boundaries are due to be in place. This was generally accepted as the first opportunity for an election under Japan's recently reformed political system.

Now politicians in both government and opposition are talking about an election for the lower house, the more powerful of the two chambers, some time after the upper house elections next July. Japan's prime minister looks set to stay in office at least long enough for people to remember his name: Mr Tomiichi Murayama, the first Socialist in the job for 47 years. Both government and opposition have good reasons, political and financial, to keep him there.

For one thing, the LDP and SDP are getting on better than either side had dared hope. The pacifist Mr Murayama, with the tacit support of a majority in his party, has leaned to the right. He has, for example, dropped the Socialists' most extreme dogma, which included opposition to the US-Japan security treaty and a belief that the military is unconstitutional.

In return, the LDP, the coalition's senior partner, has courteously inclined to the left. It has said it might accept Socialist demands to curb military spending and has agreed to defer indefinitely a rise on consumption tax – a nod to almost the only Socialist policy the leaders of Japan's SDP still uphold.

The opposition, meanwhile, needs several quiet months of backroom bargaining to create its super-party. Mr Ichiro Ozawa, the opposition's strategist, broke a month-long silence recently when he claimed that the new party would pull together enough lower house members by the end of next month to outvote the LDP, with its 206 seats.

He may be too optimistic on the timing, given the reservations held by some potential *Shin-shinto* members over working with the accident-prone Mr Ozawa, who contributed to the demise of the previous government by driving the Socialists out of the old coalition and into the arms of the LDP.

Yet the incentive to unite is strong. In its present fragmented form, the opposition will be too poor to compete against the government in the next election, explains a former cabinet minister. The detail of a new law to control political funding explains why.

Corporate donations to politics have dried up over the past year, which means that political parties will have to rely on state subsidies, paid under the new funding law from next January. One feature of the funding rules, inserted to win a reluctant LDP's support, is that they favour large parties such as the LDP.

A Y30.5bn annual subsidy is to be shared out between parties, in proportion to the number of lower house seats; but the subsidy for any individual party is subject to an upper limit determined by its annual turnover.

That means the LDP and SDP, with their high spending, qualify for a combined subsidy of Y20bn next year, while a small new party run on a shoestring, such as Mr Hosokawa's Japan New party, gets only Y200m, says the former minister.

If the troika of former prime ministers now in opposition manages to round up all 220 people who supported Mr Kaifu after he left the LDP to stand against Mr Murayama last month, it could qualify for as much as Y15bn of subsidy, he explains. That is a compelling reason for *Shin-shinto* to come into being.

Money politics are as present as they were in the old days before political reform. At least the rules of the game, as it unfolds round the Hotel Okura swimming pool over the next few weeks, are official. The new funding system might, despite its imperfections, put pressure on Japan's politicians to move towards the simple two- or three-party system that the original reformists had in mind.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Training needs benefit of charitable status

From Mr F Benison.

Sir, Recent comment by the Duke of Edinburgh and the Home Office about the charitable status of many organisations in the UK may have created the impression that the only objective of any charity is the relief of poverty. The argument appears to be that, if poverty does not exist, charities may not need to exist either. This is clearly a nonsense.

As chairman of the National Training Federation – which has many members that are registered charities and fulfil a vital role in the education and training of individuals for employment – my concern is that, in any proposed clear-out, the baby should not be thrown out with the bath water.

Given acceptance that education can have acceptable charitable status, it is one thing to criticise a small private school for calling itself a charity to gain tax and other financial advantages. It is another thing entirely to knock an organisation which exists to provide training or education for otherwise disadvantaged people – and help them back into work.

Many people will, I feel sure, see this as an altogether proper use of, and destination for, such relief as is available for those given charitable status.

The time may well have come to take a close look at the number of bodies sheltering beneath the charity umbrella. But, rather than make a blanket declaration or decision on eligibility, let us have a careful reassessment of qualifying criteria so that end-users with real needs (which are currently being met by registered charities) will continue to be well served under any new regime.

F W Benison,
chairman,
National Training Federation,
PO Box 1,
Atherstone,
Warwickshire CV9 1BE

Tender process does not lead to best solutions

From Ms Pauline Grant.

Sir, I wonder if organisations which invite consultants to tender for business are aware of an increasingly counter-productive trend. Tendering is becoming more widespread, particularly in the public sector under pressure to demonstrate that it is able to manage costs in a business-like fashion. Indeed, increasingly we are being asked not just to tender for work, but to spend a great deal of time compiling information in order to be placed on the list of those who might later be invited to tender.

The words "market testing" might thrill civil servants, but they send a chill of horror through the hearts of a great many small consultancy outfits.

There is a strong feeling that responding to tenders in the "softer" areas such as management development is in effect giving away free consultancy. This is very different from tendering to more technical specifications where it is entirely appropriate to compare costs of using one provider rather than another. Cost comparison is rarely the best means of evaluating tenders in non-technical areas.

Tendering takes time, and time is what consultants sell. Time not only to put the response together, but to hold discussions with the inviting organisation so that it is offered what is believed to be the best solution. However, this is not charged to the inviting organisation – even travel expenses have to be absorbed – and therefore becomes a hidden cost to other organisations with which they work. This is grossly unfair.

If those who can provide the best solutions are being deterred from offering them, something is going badly wrong. The original intention is not being achieved and some more creative thinking is required to provide an effective alternative that will encourage providers to encourage rather than put them off.

Pauline Grant,
senior consultant psychologist,
Independent Assessment and Research Centre – Ashridge,
17 Portland Place,
London W1N 3AF

No planning in job losses

From Mr Keith Flett.

Sir, It is disturbing that such a large company as BT still feels unable to plan its job reduction programme over a period of time and therefore avoid any need for the unpleasantness and bad publicity that goes with compulsory redundancy ("BT plans to shed 50,000 more jobs", August 1). It is particularly noticeable that while Sir Iain Vallance talks of the need for a further 50,000 job losses he suggests no valid reason as to why this might be necessary. One would have thought that with the expansion of telecommunications more rather than less staff might be a more sensible forecast for the medium term.

Keith Flett,
secretary London HQ branch,
Society of Telecom Executives,
38 Mitchley Road,
Tottenham,
London N17 9HG

Wrong chemistry for president

From Mr Daniel Alexander.

Sir, Democrat Jim Hightower, who described President Clinton as "thixotropic" (Observer: "Quality test", August 3), may know his politics but he doesn't know his chemistry. A thixotropic substance is fluid when it is stirred and solid when left to stand (not, as he apparently said, solid until heat is applied).

But his analogy works. The message is: if you want a solid president, stop stirring.

Daniel Alexander,
8 New Square,
Lincoln's Inn,
London WC2A 3QP

Poverty: a limited truth, but alarm bells should be ringing

From Ms Gabrielle Cox.

Sir, There is only limited truth in the assertion by Mary Campbell (Personal View, August 2) that the government's Households Below Average Income statistics give an incomplete picture of poverty in the UK. She is right that to talk of vast increases in people in poverty is unhelpful if the benchmark has itself risen dramatically, as is the case with average income.

However, she overlooks the fact that more people are now living on income lower than half the 1979 average than was the case in 1979. Thus, in 1979, 9 per cent of the population (5m people) were living on income less than half the average. If this 1979 income figure is uprated by inflation, we find that 11 per cent of the population (6m people) have income below this level. There is a particular impact on children, with rises from 10 to 15 per cent and from 1.4m to 1.9m children.

These figures are after housing costs. Such a measure gives an indication of the amount of income a family has to live on after the key component of housing has been accounted for. Before housing costs, income has risen for many families not because they are better accommodated, but because the government has forced up both council and housing association rents through its housing finance policy, leading to increased income in housing benefit.

Mary Campbell calls for statistics which reflect people's needs. She seems to be unaware that the low income families statistics, which related income to what a family would get on benefit, were discontinued by the government. However, a report for the social security committee showed 11.35m people living on or below income support rates of income in 1989.

Alternatively, the figures for means-tested benefits should sound alarm bells. In 1979, 7.9 per cent of families with dependent children claimed one or other of the two key income support benefits, but by 1992 this had risen to 31.2 per cent.

The debate on what to do about poverty is not helped by suggesting the problem is not really a very serious one.

Gabrielle Cox,
Campaign Against Poverty,
47 Upper Lloyd Street,
Moss Side, Manchester

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
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Paradise lost in housing

In one [illegible] Mr John Major's most successful attempts to set out a vision for the future, he told the [illegible] Conservative party conference [illegible] his desire to see wealth cascading down the generations. The house price rises of the previous decade made such a dream seem plausible.

Many ordinary people found that the increase in value [illegible] their homes had made them wealthy beyond their dreams – on [illegible] at least. Forecasters predicted a surge in spending for people in their fifties and sixties, who would inherit their parents' properties. A golden generation would have money to burn on their own ho[illegible], holidays and [illegible]sonal services.

The [illegible] a little [illegible] plausible now. For well [illegible] a million householders, owning [illegible] is a net liability – their mortgage is greater than the current value of their home. Negative equity is largely concentrated in the south of England, where the housing market enjoyed the largest rise and suffered the deepest slump. But even here its impact is uneven: some areas are afflicted much more than others.

Where it [illegible] of unemployment in former growth [illegible] and southern Hampshire it holds [illegible] the growth of local economies.

Negative equity [illegible] some social groups more than others. A study published today by the Joseph Rowntree Foundation finds that it overwhelmingly hits owners under 40. People in professional and managerial occupations are most likely to be affected. They are the wealth creators of the future, but they cannot move house to find better jobs, or easily raise capital to start a business.

Low inflation

The foundation's study also says that average house prices would have to rise 15 per cent to eliminate this negative equity. Current trends in the housing market are hard to read, with monthly house-price surveys showing weak price rises, low activity and little sign of any consistent recovery. This is not a cause for despair: in an ideal world, house prices would increase no faster than inflation. But if the chancellor's promise of low inflation proves true, it could be the end of the decade or beyond before the blight of negative equity is lifted.

A [illegible] study published yesterday by the foundation suggests that the cascade of wealth may be rather more of a trickle than a torrent. In [illegible], 140,000 [illegible] were inherited, [illegible] over the next 20 years the number will not rise much [illegible] a year. The study predicts [illegible] this could release almost £15bn in 2000, compared with £7bn [illegible] adds a warning that most of this money will not find [illegible]sumption. Only [illegible] fifth will flow into consumer spending while the rest is reinvested. No cornucopia here.

Ageing population

And it would be [illegible] assume that even these more modest amounts will be available. One consequence of an ageing population is an increasing bill for the care of the elderly. In the past, such care might have been provided by the welfare state; increasingly, those with assets are expected to pay some or all of the cost themselves. As the pressures mount on welfare spending, elderly home owners will have to sell their assets in order to pay for long-term care.

This [illegible] entirely appropriate. What else, after all, is the point of acquiring wealth except to pay for the comforts of life? The idea of leaving assets to your children is an attractive one, and often a strong motive behind wealth-creation. But it cannot be financed at the expense of the state. It would be wrong for low-income taxpayers, perhaps working long hours for low wages, to have their taxes raised to support asset-rich pensioners.

Many of those who were beguiled by the vision of a cascade of wealth may feel cheated by these harsh realities. Far from inheriting a pot of gold on the death of their parents, they may find little left after the bill for their care has been paid. It may be many years before their own home is worth more than the money they owe on it. They can console themselves, however, that one consequence of a saner housing market should be that it will become that much easier for their own children to find somewhere to live in the future.

Strains in the new South Africa

Convention usually allows new governments 100 days before critically appraising their performance. But South Africa's wave of strikes, together with [illegible] government of national unity, [illegible] that President Nelson Mandela's post-inauguration honeymoon is [illegible] before this traditional period [illegible] grace has expired.

Ironically, his most serious challenge is orchestra[illegible] by the African National Congress's long-standing ally, the [illegible] South [illegible] (Cosatu). [illegible] than 100,000 [illegible] on strike for higher [illegible], with [illegible] blessing. Many of its most experienced [illegible]ers, whose pragmatism contributed greatly to South Africa's remarkable transition, are now in the national or provincial governments, or hold jobs in the private sector. Their successors in the union movement have yet to be persuaded that South Africa needs a social compact which will put job creation before higher wages that erode its ability to compete in international markets.

The workers' impatience to see the benefits of the post-apartheid era are understandable. In their view, Mr Mandela has done more to set at rest whites' fears than he has done to meet black expectations [illegible] he was sworn in on May 10. Fiscal discipline was the watchword in the June budget, which left many blacks disappointed and dashed trade unions' hopes that zero-rating on VAT would [illegible] extended to [illegible] range [illegible]. Yet it brought [illegible] sigh [illegible] from whites, [illegible] regarded [illegible] 5 per cent surcharge on income tax a small price to pay for the [illegible] transition.

Inexperienced team

Since then the government has appeared immobilised, moving painfully slowly to implement key pledges in its election manifesto. An inexperienced team of AN[illegible] ministers and officials is short of expertise, while the civil service's middle and upper echelons are dominated by whites who for the most part support [illegible] National party. An ambitious housing programme [illegible] the aim [illegible] building [illegible] units in five [illegible] yet to [illegible] under way, as the government weighs the merits of build-it-yourself schemes against fully-developed housing estates. The former are quickly delivered, but can easily become urban slums; the latter are more costly but more likely to meet black expectations.

Reform is proceeding painfully slowly in a second area critical to the ANC's popularity. Promises to [illegible] inequalities in land distribution, whereby [illegible] land remains in white hands, are constrained by [illegible] in the bill [illegible] and by [illegible] to disrupt [illegible] agriculture.

Power centres

[illegible] government [illegible] potential problems from an unexpected quarter. Although seven of the nine provincial governments are controlled by ANC delegates, they are becoming power centres in their own right.

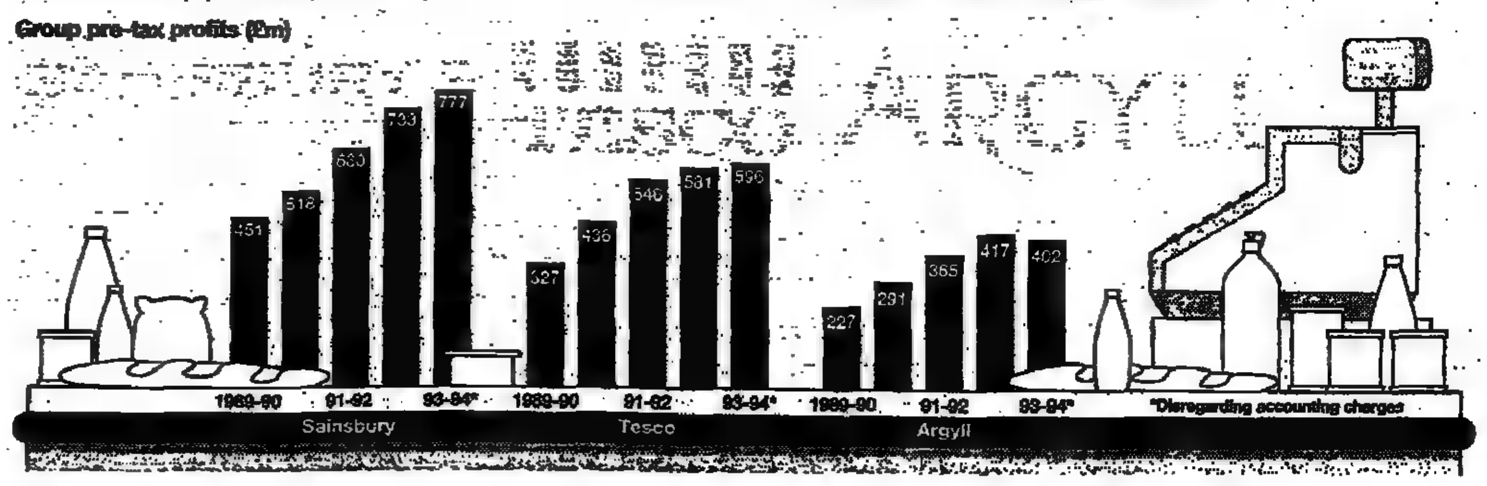
The list of Mr Mandela's difficulties does not end there. Natal has yet to find peace, while a proposed investigation into human rights abuses during the apartheid era – the so called "truth commission" – could easily add to the strains.

Meanwhile the National party, led by deputy president FW De Klerk, is showing signs of dissatisfaction with the coalition, wondering whether its chances in the next election might be better served in opposition. Although a junior partner, its co-operation is essential to the success of the country's Reconstruction and Development Plan.

These problems need be no more than teething troubles, and they must be placed alongside what has already been achieved. This is easy to underestimate. The threat from the right that once appeared capable of destabilising the entire transition has been defused if not destroyed. Hundreds of millions of [illegible] aid have been promised, and [illegible] sensible plan [illegible] for spending them on tangible improvements in the quality of [illegible] millions of impoverished [illegible]. Meanwhile all over the country [illegible] transformation quietly continues, [illegible] of white suburbs and black townships find ways to co-operate in local government and to integrate state-owned [illegible] hospitals. The imperative that brought [illegible] Africa through its election holds good in its new era: better [illegible] slow start than a false start.

UK supermarkets: where will their bread and butter come from next?

Group pre-tax profits (£m)



The top 10 food retailing groups

Rank	Group	% Market share
1	Sainsbury	15.06
2	Tesco	13.47
3	Argyll	9.47
4	Asda	8.04
5	Somerfield (Gateway)	5.39
6	KwikSave	4.90
7	Marks & Spencer	3.94
8	CWS	2.84
9	Wm. Morrison	2.53
10	CRS	2.16
	Total	67.80

Sources: Company reports and accounts, Yamaichi

Still shopping as the margins drop

Now the battle for Wm Low is over, where will big UK food retailers find growth opportunities, asks Neil Buckley

The [illegible] for control [illegible] supermarket group William Low was [illegible] first bidding war [illegible] largest [illegible] – Tesco and J Sainsbury. It may not be the last.

[illegible] won [illegible] fight yesterday with [illegible] bid of 360p a share, valuing [illegible] 57-store [illegible] Low [illegible] at £247m – some £93m higher than in its original bid three weeks ago. Sainsbury, which bid 305p last week, decided the price was too high and withdrew, saving itself for other fights ahead.

Other contests are almost certain to follow. The two grocers went into battle for control of Wm Low not just because of the opportunity it offered to buy market share quickly in one of the few regions in which both are under-represented. They were also motivated by the changing structure of the industry, which has raised the question of whether the big groups can continue to expand by building new superstores. They may have to look elsewhere – overseas or back in the high street – for earnings growth.

From the mid-1980s until late 1992, profits and share prices of the "big three" grocery retailers – Sainsbury, Tesco and Argyll (owner of Safeway) – soared as they moved hundreds of stores from high streets into purpose-built, retailing palaces on the edge of towns. By getting ever better deals from suppliers, increasing the proportion of higher-margin own-label products, and introducing sophisticated computer and distribution systems, they nudged up profit margins.

Last year, however, food retailers' shares began to underperform the market as the City realised that the formula for growth could not continue for much longer. The £10bn spent on building new superstores by the big three in the previous five years had led to a shortage of possible sites in parts of the country.

Moreover, since 1990 a new breed of foreign discount grocers – limited-range, low-priced stores – had taken root alongside the established UK discounter, Kwik Save, and threatened to force superstores to cut prices.

Fears about growth prospects were initially played down by the superstore groups, but the events of the past year have marked [illegible] watershed:

- [illegible] Gateway, [illegible] UK's sixth-largest supermarket, opened price skirmishing by permanently reducing the cost of 1,000 products.
- July 1993: Mr Archie Norman, chief executive of Asda, the fourth-largest superstore group – which also cut prices – warned "halcyon days" were over for food retailers.
- August 1993: Intensifying the price war, Tesco launched a "Tesco Value" range of cheap own-label products designed to counter the threat from discounters.
- October 1993: Sainsbury cut the price of 300 own-label products indefinitely.
- December 1993: Argyll became the first superstore group to announce it was reducing its spending on expansion. It also began to depreciate the value of existing stores in its accounts. Its move was soon followed by Tesco and Sainsbury. All admit price competition had reduced their gross margins.
- April-June 1994: Sainsbury and Tesco reported their smallest profits increases for a decade; Argyll reported [illegible] profits fall.

The question [illegible] whether price competition will continue to escalate, leading to a downward spiral in margins. Mr Jeremy Alun-Jones, European retailing analyst at US investment bank Lehman Brothers, points out that the big three food retailers are still committed to spending more than £1bn a year until 1997 on new stores. In a saturated market, he argues, they may be forced to keep cutting prices in an attempt to achieve enough sales through these stores to earn a return on their investment.

Such an outlook might be too pessimistic. While parts of the UK have little room for new superstores, some areas are under-provided – most obviously Scotland.

Moreover, the big grocers argue that, although margins have fallen, they will not necessarily continue to decline. Sir Ian MacLaurin and Mr David Sainsbury, chairmen of Tesco and Sainsbury, both referred to the competition from the discount chains, when they unveiled their latest results in April and May respectively. They said reducing prices on the kind of basic products sold by the discounters had neutralised the threat. "We have really hurt the discounters. They have no room to cut prices further," Mr Sainsbury said.

Discounters are indeed finding [illegible] difficult. Shares in Shoprite, [illegible] discount [illegible] which operates mainly in Scotland, plunged last month after profits for the six months to May came in well below expectations and [illegible] company [illegible] full-year [illegible] would be similarly [illegible].

Nevertheless, [illegible] continuing price competition from [illegible] dis[illegible] margins are unlikely [illegible] up again. [illegible]over, even if there are still places where the groups can build new superstores, this is unlikely to be the case by the end of the century. Both factors will make superstore expansion in the UK less attractive.

How, then, can the superstore groups continue to grow? One possibility is that they may begin to put stores back into the high street. Tesco [illegible] Sainsbury have developed small town-centre formats, Metro and Central respectively.

They say increased buying power and efficiency means they can trade more profitably from small stores than they could 10 years ago. That, combined with the comparatively low cost of leasehold property for small stores, means they can earn similar returns from these stores as from freehold superstores.

Sir Ian MacLaurin said yesterday Tesco had identified 80 potential [illegible] the UK for its Metro stores and estimated that, in spite of the superstore expansion of recent years, 30 per cent of grocery spending was still in high-street shops. "That is clearly an opportunity for us. We have the technical skills to run quite small [illegible] profitably now," [illegible] said.

The battle for Wm Low could thus be followed by further bids from the big three grocers for smaller supermarket groups with high-street stores, such as Gateway, Iceland or the Co-operative retailers. But with a typical Tesco Metro only a quarter the size of a new superstore, moving back into the high street will not offer the same [illegible] for growth [illegible] superstore expansion [illegible] in [illegible] 1980s.

Another option for expansion [illegible] be [illegible] forms of retailing. Sainsbury [illegible] tried [illegible] with [illegible] Homebase DIY and [illegible] centre hypermarket chains. It [illegible] these will account for increasing proportions [illegible] capital [illegible] in coming years.

Similarly, the [illegible] three, which [illegible] long operated petrol [illegible] alongside [illegible] superstores, [illegible] become operators of standalone petrol stations. Tesco is already doing so at three London sites; Sainsbury is considering it.

A final expansion route [illegible] UK superstore groups [illegible] likely [illegible] be acquisitions abroad. Tesco bought the [illegible] Catteau supermarket group in France last year, and admits this was a way of gaining overseas experience with a view to other purchases. In 1987, Sainsbury bought Shaws, the US supermarket chain of 87 stores, and says it will examine opportunities to add to that chain.

UK retailers' experience overseas has been mixed. Marks and Spencer, for instance, has struggled to make north American acquisitions perform well – though it has had more success in Europe. But as opportunities for building out-of-town superstores dry up and the limited potential for returning to the high street is filled, the next wave of expansion may have to be overseas.

Michael Holman on a fitting fate for the United Nations Industrial Development Organisation

UNloved, UNwanted

You may have missed it, but 1980 to 1990 was the Industrial Development Decade for Africa. It had no impact whatsoever on the continent the first time round, but the perpetrator of this exercise in wishful thinking, the United Nations Industrial Development Organisation (Unido), appears to work on the principle that Pooh Bear applied to his Hums.

Pooh, it will be recalled, managed the first line of Hum without difficulty: "Sing Ho! for the life of a bear." It sounded [illegible]lendid, but what came next? Pooh got stuck, until he had a brain wave. He would sing it very fast, in the hope the second line would just pop out.

So will you please welcome the Second Industrial Development Deca[illegible] Africa. There is not quite the same ring to it, for Unido seems to have been caught napping. The second decade runs from 1993 to 2002.

Enough is enough. It is time to abolish a body whose demise would distress only its 1,200 employees and the hundreds of experts and consultants who feed from its $100m-a-year trough.

Unido was introduced to the world on January 1 1967 through General Assembly resolution 2152 (XXI) of November 17 1966. From the start it had ideas above its station, claiming that it had a "mandate to act as the central co-ordinating body for industrial activities within the UN system".

Like many organisations spawned by the United Nations, Unido has been sustained by pompous jargon and an overriding belief in its own importance.

The concept of an Industrial Decade, whatever that means, is given spurious authenticity through the language signalling its creation. The general assembly, we are told, in Resolution 35/668 of December 5 1980, proclaimed the 1980s as the Industrial Development Decade for Africa "thus giving worldwide recognition to the decade".

Of course, it did nothing of the sort, except for UN bureaucrats.

A welter of documents sustained their fantasies, products of seminars and special sessions where the delegates draw their per diems and build nothing more substantial than castles in the air. By 1983 Unido had produced a slim volume of *pensées* entitled *A Programme for the Industrial Development Decade for A[illegible]ca.* [illegible] is [illegible] this [illegible] in many [illegible] from previous practice, and calls for a firm rejection of isolated piecemeal planning of the past and a clear shift away from over-occupa[illegible] [sic] [illegible] foreign exchange problems [illegible] to [illegible] region".

Things which never would be missed

So much for Africa's overvalued exchange rates of the era, the single most serious feature of the already evident economic crisis that was destroying the continent.

"The new approach," the guidelines reveal, "is also predicated on a decisive move towards the integrated development of the human resources, institutional mechanisms and technological capacities required to assess and utilise the natural resources and raw material endowments of the region, expand local markets, enlarge the range of complementarities and strengthen links between industry and other sectors of the economy."

Of course, these banal exhortations did Africa no service. What they did do was to alert consultants and experts worldwide that here was another UN gravy train.

Like the 1970s, the 1980s saw a series of Unido country reports, stupefyingly bland in their analysis, out of date in their statistics, and deferential to autocratic governments and kleptocratic regimes.

Like all UN organisations, Unido selects its officers more for their country of origin than their exper[illegible]. Thus places were found for assorted econometricians, agrono[illegible] and economists, most [illegible] dubious credentials. They usually owed their jobs to political patronage, and lived in [illegible] world of diplomatic privileges, duty free facilities and hardship allowances.

Unlike the World Bank, no one subjects Unido to scrutiny. If anyone cared to assess its policies and proposals over the 1970s and the 1980s, the organisation would emerge deeply discredited.

Today Unido has the chutzpah to claim that it "assists both governments and the public and private sector through technical and investment promotion services, and with policy advice".

The suggestion that this ineffectual agency might assist the private sector, or have any insight into investment, is risible.

To be fair, Unido should not be blamed for Africa's crisis. True, it [illegible] responsibility [illegible] who stay silent when they should be sounding the alarm. But no one took much notice of Unido and its experts. And that is why no one will miss it.

OBSERVER

Buck House in battle royal

■ Competition [illegible] royal palaces is starting to turn ugly. A glance at the latest annual report of the Historic Royal Palaces, an executive agency which controls a number of London piles, shows that the Tower of London is the only real money spinner.

It accounts for three-quarters of the 3m visitors and its £4.3m net operating surplus is more than offset by Hampton Court's £4.8m deficit. Kensington and Kew palaces and the Banqueting House all lost money and the Tower was the only outfit to record an increase in visitor numbers last year.

Part of the problem was the arrival of a new competitor – Buckingham Palace. As the Queen's London residence it has not yet been turned into an executive agency but it is being required to earn its keep at last. It was only open for business for two months last year, yet its 380,000 visitors spent £5m. It opens again next week and expects to do even better.

The number of visitors to the Historic Royal Palaces has been stuck at about the 3m mark for several years and with Buck House starting to cream off the top end of the market, HRP's managers are going to be hard-pressed to meet their target of increasing their income by a quarter this year. If they fail yet again then they may have to consider more drastic action. How about spinning off a bit of Hampton Court for luxury housing or making a bid for Buckingham Palace?

Ear we go again

■ Prompted by Observer's story yesterday about the roller towel warnings in America, a colleague recalls spotting screwdrivers on sale across the Atlantic complete with stickers on the handles advising: "Do not insert in the ear".

Open book

■ A treat in store for the hard-pressed board members of struggling specialty retailer Pentos. Terry Maher, their erstwhile boss, rushes into print recounting his version of events at the company he founded. The charmingly titled "Against my better judgment" rolls off the presses at Sinclair Stevenson on September 12.

So will Pentos's bookshops stock it? "Certainly, we don't draw any lines like that," says current chairman Sir Kit McMahon expansively. He admits to being as curious as anyone as to what Maher has to say for himself, while adding that he doesn't believe Maher has "quite taken on board" that he was chairman of the company for 11 months of [illegible] year when it racked up losses of [illegible].

McMahon won't be wasting his own pennies on the tome, though. He plans to head for [illegible] convenient Dillons and look up various salient points in the index – starting presumably somewhere nears the McM's.

'Light at the end of the tunnel'

Bluff Bob Horton

■ Railtrack chairman Bob Horton really must be sensitive about the size of his £120,000 a year salary. How else do you explain his odd bet with signal workers' boss Jimmy Knapp on BBC radio's Today programme yesterday morning?

Horton promised to give to charity the net difference between his salary and Knapp's, if it would help break the strike deadlock. Knapp earns £46,000, so this would mean that Horton would have to hand over £44,400.

A friendly accountant at Touche Ross calculates that if Horton paid the £44,400 over as a net Gift Aid payment, the charity could reclaim tax of £14,800 leaving it with a total of £59,200. Horton would then receive tax relief at 15 per cent on £8,800 so the net cost to him would be £35,520. Sadly, Knapp declined to call Horton's bluff.

Disloyalty

■ Yet another government body has fired a shot across the bows of Michael Heseltine, Britain's combative president of the Board of Trade. Worse still the latest pot shot comes from a minion deep inside the Department of Environment, one of Hezza's old [illegible].

In his spare time Hezza is the squire [illegible] Thenford, Northamptonshire, and had been hoping to put a thatched roof on one of his cottages and install double glazing. However, the planning inspector has turned him down because he wanted to use the wrong sort of reed and the windows did not suit [illegible] listed building.

The planning inspector commended Hezza's "genuine attempt" to restore [illegible] building to its original appearance but declares that such an effort cannot succeed if "compromises on materials or techniques mean that the resulting appearance would clearly detract... from the building's character".

Dorrell's delight

■ [illegible] Dorrell, Britain's new National Heritage supremo, may not know much about art but that need not stop him winning the plaudits of the arts world.

[illegible] the deadline expires on the attempt to find the £7.6m needed to keep Canova's statue of The Three Graces in the UK and out of the clutches of the J. Paul Getty Museum in Malibu, California. The cause seems hopeless. The V&A, which is spearheading the rescue mission, has only managed to raise £4.7m.

But now Dorrell wants to re-examine the papers and has postponed an announcement until Monday. He could delay the export licence for another three months, but there is also [illegible] chance that he has found a white knight with the necessary millions. One possibility is the incredibly generous cricket fan, J. Paul Getty Jnr, who has little love for his father's memorial. But if The Three Graces are saved, some of the kudos will rub off on Dorrell as well.

Pushy number

■ How do you tell an introverted actuary from an extroverted one?

The latter gazes at your shoes.

FINANCIAL TIMES
Thursday August 4 1994

Beijing negotiator misses boos and bouquets as talks begin

Taiwan split over China links

By Laura Tyson in Taipei

[illegible] Taiwan negotiator narrowly escaped being pelted with eggs by independence activists chanting "Chinese bandits go home" and burning People's Republic of China [illegible] on his arrival [illegible] Taipei's international airport yesterday.

But Mr Tang Shubei, the [illegible] senior Chinese [illegible] to [illegible] on the island which Beijing [illegible] as a renegade province since 1949, [illegible] missed a crowd [illegible] supporters who [illegible] come to wel[illegible] him when he was whisked out [illegible] the airport through a [illegible] exit.

As four [illegible] talks begin today between Mr Tang and his [illegible] counterpart, Mr Chiao Jen-ho, Taiwanese remain [illegible] and uncertain [illegible] the pace and direction of [illegible] uneasy relations with [illegible] giant neighbour.

Many people in [illegible] picious [illegible] the [illegible] of both governments. In the talks, [illegible] maritime rights and [illegible] repatriation [illegible] hijackers, [illegible] there have been many from the mainland in the past year.

A government-commissioned poll, the results of which were released yesterday, found 42.2 per cent of those surveyed supported neither reunification with China nor Taiwanese independence. Nearly [illegible] per [illegible] respondents [illegible] reunification, while 11.6 [illegible] independence.

The passion of the protests against Mr Tang's arrival yesterday highlighted [illegible] sensitivity [illegible] China policy for the Taiwanese, who have been taught to regard the mainland as territory occupied temporarily by the Communist government and to be retaken eventually by the Taiwanese nationalists.

Pro-independence protesters burnt the Chinese flag and urged Mr Tang to return to the mainland. He suggested that "talks are talks" and conceded that "we have to raise differing opinions", though Beijing has not ruled out the possibility of using force to retake the island if it drifts too close to independence.

As for the boisterous reception in Taipei, Mr Tang said: "This is not [illegible] people should treat their guests. I hope to see [illegible] improvement in this."

Mr Eric Ni, a stockbroker at a [illegible] securities firm, said he hoped that Beijing and Taipei could adopt a more pragmatic approach in the cross-strait talks, which began in April 1993. The previous five rounds have been mired in legalistic issues.

"Both sides are basically just playing games," Mr Ni said. "But it's better than not talking at all; otherwise there would be more tension." He supported resumption of direct shipping and air links as mutually beneficial.

While in favour of improved relations, Mr Ni, a native Taiwanese in his late 20s, firmly rejects reunification.

"It is good to maintain an older brother-younger brother relationship with China, but Taiwan should be independent," he [illegible] for reunification, [illegible] though [illegible] share the same blood. For example, the US became independent from England over 200 years ago.

"Should Taiwan declare independence? "Why not? There's no way China can attack Taiwan. They can't because they would lose all their foreign investment."

Building manager Mr Wang, who came to Taiwan from China's Shandong Province in 1949, fears closer ties with the mainland. "Direct links are no good; it's too dangerous for Taiwan. You can't trust the Communists.

"There's no way these talks can come to anything," Mr Wang said "Nobody wants to see any progress. Reunification is not possible. Independence is not possible either."

Mr Chen Hsin-rong, an electrician said: "It's good to hold talks, but relations between the two sides should not develop too fast. Very, very slowly is the best way. China refuses to recognise us on an equal basis, so how can we even begin to agree on anything? Besides, Taiwan is a democracy [illegible]. I visited China last year and there's no way that place can ever become democratic."

"Talks and friendly relations are good, but we must maintain [illegible] a distance," said Mr Chen Tung-chiang, a taxi driver.

THE LEX COLUMN

American Home truths

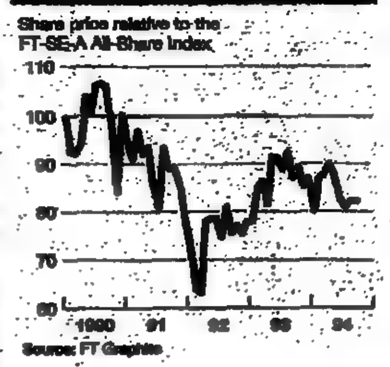
It is so long since the [illegible] industry saw an [illegible] American Home Products' $8.5bn offer for American Cyanamid came as something of a shock. But while the nature of the bid and the whopping 50 per cent premium to the market share price are startling, the trend towards consolidation was already clear. The mergers which created SmithKline Beecham and Bristol-Myers Squibb, and Roche's agreed acquisition of Syntex in May, were steps in this direction. Since pressure on industry margins shows no sign of easing, further moves are likely.

But the kind of multiple offered by American Home – 20 times this year's forecast earnings – only makes sense if costs can be cut without damaging the acquired business. The marriage of SmithKline and Beecham was successful in this regard, but neither party was dragged to the alter at gun-point. Cyanamid has outperformed the US market by 50 per cent from the trough in March, so management could be more than usually reluctant to surrender. Such considerations argue against an outbreak of hostile takeovers.

Yet drugs companies which are struggling to deliver volume growth and are being squeezed on price by their customers may have little alternative but to look for appropriate partners. If the prices now being paid are any guide, a restructured drugs industry is worth substantially more than the current model. Yesterday's rise in the shares of other mid-sized drugs companies, such as Wellcome and Warner Lambert, is speculative but logical.

FT-SE Index: 3160.4 (+2.9)

Harrisons & Crosfield



Source: FT Graphite

PowerGen

Companies often fear they will be thought lacking in imagination if they decide to hand back surplus cash to shareholders. The truth is that investors would prefer to have their money back rather than see it frittered away in wasteful ventures. In that sense PowerGen should be applauded for yesterday's share buy-back. It sets an example that others should follow, and not just in the electricity industry where buy-backs show signs of becoming fashionable. Yet PowerGen's move is welcome for more than reasons of principle.

Having spent just £13m on its own shares PowerGen was rewarded with a 5 per cent jump in its price. The market reaction is not as disproportionate as it looks. PowerGen has authority to buy up to 10 per cent of its own capital and the market is assuming that given its modest 15 per cent gearing it will make further purchases. Earnings would be enhanced even at yesterday's higher price.

Indeed earnings could rise by around 5 per cent if the company bought back 10 per cent of its capital. That would help offset a lean period next year as PowerGen's UK sales decline with its market share. But even having spent £400m on its own shares, PowerGen would quickly run up surplus cash again. It would then [illegible]ve to decide whether to come back for more.

Harrisons & Crosfield

Harrisons & Crosfield shareholders have been waiting a long time for something to turn up – the dividend, for example – and have managed to contain their excitement at recent developments. Since Mr Bill Turcan moved into the chief executive's chair in May, he has been making all the right noises. He has announced a sensible removal of divisional management, declared the company to be focused on chemicals and building supplies and admitted that it still has a lot to prove. He has also been able to clinch the sale of the Indonesian plantations at a price which brings minimal earnings dilution. This means the company is under no pressure to gear up again quickly with acquisitions in its two core businesses, which may be just as well given its mixed record.

Not only did it buy its UK building merchant chains at the top of the market, it also picked up a US chain which has seen half its business undermined by new competition. The UK business showed a strong improvement in the first half, largely by addressing management failings in the south-east, but its margins of 4.7 per cent are still behind the competition and way short of its target of 7.5 per cent. Its margins in speciality chemicals are also below the industry leaders.

As always with Harrisons, this means there is plenty of upside if only the management can deliver. Dividends should at last be covered this year but the shares are still yielding 6.3 per cent, which suggests that expectations are not high.

Tesco/Wm Low

Three weeks ago the board of William Low, advised by Barings, recommended its shareholders accept an offer from Tesco of 225p a share which it thought was "fair and reasonable". Yesterday it became clear that Tesco thought the price to be very reasonable indeed since it is now prepared to offer 60 per cent more.

There is no question that the strategy adopted by William Low and Barings has been spectacularly successful at realising value for shareholders. But a few questions still remain. The William Low camp insist that by [illegible] it fair and reasonable they were not suggesting that shareholders could not hope for more. All they wanted to convey was that, without any bid, the shares would be worth less than 225p. Since the shares were trading at 169p before the offer most shareholders could probably work that out for themselves.

As for the recommendation that was demanded by Tesco, William Low acceded to it as a mere formality in order to get the bidding going. Still, if advisers want to maintain their credibility, they should think carefully about letting their names be used too casually.

S.G. Warburg

S.G. Warburg's charitable contribution in connection with its controversial purchase of Lasmo shares during the Enterprise bid is about as unhelpful as Mr Robert Horton's mooted donation to stop the rail strike. The Lasmo case reveals a need for transparent rules on handling cash purchases during a paper bid which should then be enforced without fear or favour. The stock exchange has come up with an elegant-looking verdict. It is fudge just the same.

Brussels rumours work all year

Continued from Page 1

whole new [illegible] commissioners [illegible] cabinet yet [illegible] appointed, the [illegible] empty corridors are [illegible] with rumor and speculation.

"Everyone [illegible] asking who [illegible]ter will appoint, [illegible] he will [illegible] portfolios, [illegible] what [illegible] this might [illegible] for [illegible] services," said one [illegible]. "People are thinking [illegible] how they will respond [illegible] to [illegible] months which [illegible] when the rumours will really [illegible] off."

"A [illegible] rumour doing the rounds at the moment is that the UK will pay a heavy price for [illegible] their [illegible] Mr Jean-Luc [illegible], the [illegible] Corfu," said [illegible] observer. "The question is [illegible] price?"

Still smarting from [illegible] Mr Dehaene [illegible] by the UK, the [illegible] rumoured to [illegible] to [illegible] the external economic relations portfolio from Sir Leon Brittan.

Even more mischievous [illegible] a rumour that those governments still sulking over the UK veto will [illegible] that Mr Neil [illegible], former UK Labour party [illegible] newly appointed commissioner, [illegible] the social [illegible] portfolio. With his declaration to [illegible] the UK's opt-out of the social chapter, [illegible] an appointment could cause havoc [illegible] home.


Jacques Santer: new commissioners [illegible] appoint


Sir Leon Brittan: in danger over the veto on Jean-Luc Dehaene

Next is the question of [illegible] will staff the office of Mr Santer. It [illegible] already been confirmed [illegible] Mr Jim Cloos, currently [illegible] de cabinet for Mr [illegible], the Luxembourg commissioner, will become Mr [illegible] chef. and beyond that the gossip centres on how many more Luxembourgers he will be able to fill his [illegible] with. [illegible], cruelly, [illegible] the total. Meanwhile, officials are [illegible] on the European parliament's display [illegible] muscle [illegible] over [illegible] allegedly under-hand appointment [illegible] the new [illegible] president. The parliament has [illegible] it would [illegible] vet all commissioners individually [illegible] Mr [illegible] over next year, a prospect which is prompting a [illegible] of mirth [illegible] among the top [illegible] still languishing in [illegible].

UK defence ministry to decide on new aircraft

By Bernard Gray in London

The UK Ministry of Defence indicated yesterday that it would take the final decision on whether Britain would buy the US Hercules or the European Future Large Aircraft as a replacement for the Royal Air Force's ageing transport fleet.

A committee of officials from [illegible] Whitehall departments has been set up to oversee debate on the project, but the decision is not expected to go to the full UK cabinet.

Corrosion of the old Hercules airframes and heavy usage means that up to half the existing fleet of 60 aircraft may need to be replaced or refurbished before the [illegible] the decade.

[illegible] Aerospace, the company that would build the wings for the FLA if Britain joined the project, has argued strongly that its pre-eminent position in wing design would be lost to French and German companies if the RAF bought the US C130J Hercules. It says the FLA will be faster and bigger than the C130J, will be worth £5.5bn ($8.5bn) to the UK and secure 7,500 British jobs.

Lockheed, the US manufacturer of the C130J, has said its aircraft will be ready to meet the RAF's need in 1996, while the FLA faces uncertain development costs and will not be available until next century.

No time scale has been set for the committee to reach a decision. However, the ministry hopes to decide which aircraft to buy before the end of the year.

Irish PM criticised over beef exports

Continued from Page 1

result [illegible] insurance cover [illegible] by Mr Reynolds. It also concluded that [illegible] decision [illegible] extend credit insurance [illegible] taken by Mr Reynolds "against the professional advice available [illegible] him".

[illegible] findings [illegible] undermined [illegible] by Mr Reynolds over the weekend that he had been "totally vindicated" by it. The report was presented to the government last Friday and parts [illegible] Mr Reynolds [illegible] to [illegible] in advance of publication on Tuesday.

The chairman of the inquiry, Irish High Court judge Mr Liam Hamilton, accepted that Mr Reynolds had the right to extend the export credits if he felt [illegible] was in the national interest. However, Mr [illegible] said a more [illegible] investigation [illegible] beneficiaries to the [illegible] of granting such [illegible] should have been carried out at the time.

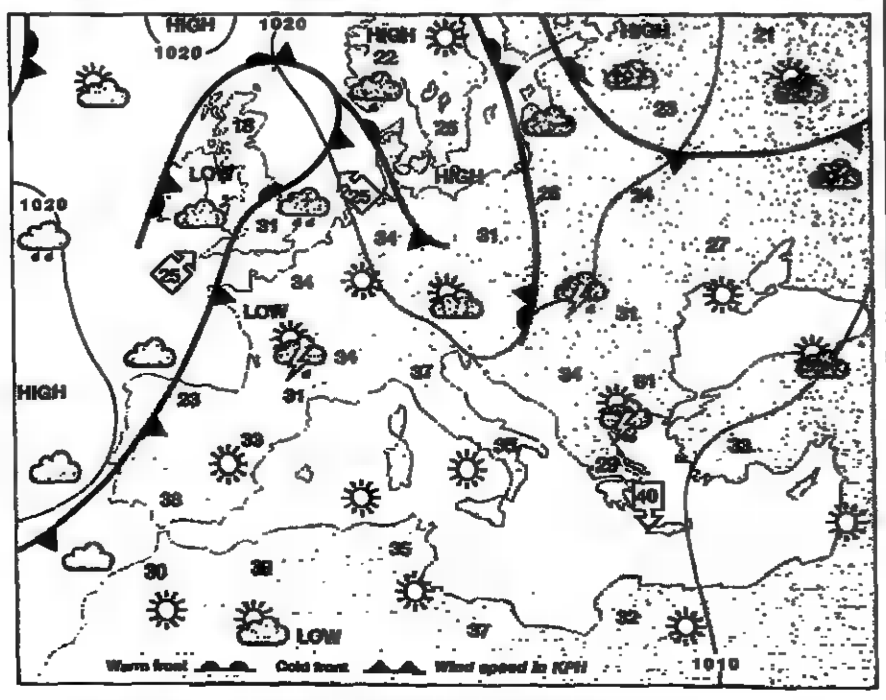
FT WEATHER GUIDE

Europe today

Most western regions will be sunny and warm, but north-western Spain will have scattered cloud and western France will have thundery showers in the late [illegible] or evening. Poland, western Russia and the eastern Balkans will be unsettled with thundery showers. It will be sunny and dry in Greece and Italy, while [illegible] will have a mixture of sunshine, cloud and showers. The most unsettled conditions will be in Ireland and Scotland where it will be overcast and rainy. England will be humid with patchy cloud. Showers will develop in Wales and south-western England.

Five-day forecast

Most of the continent will remain very warm until at least the beginning [illegible] next week. Thursday and Friday will be very hot with temperatures ranging between 30C and 36C. Thunder will develop in France and Benelux followed by cooler conditions at the weekend. The UK can expect pleasant temperatures from 19C-25C but there will also be some showers, especially on Friday [illegible] Sunday. In eastern Europe showers will die out and temperatures will rise.



[illegible] at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the [illegible]

TODAY'S TEMPERATURES

		Maximum [illegible]
Abu Dhabi	sun	38
Accra	fair	29
Algiers	sun	[illegible]
Amsterdam	fair	31
Athens	sun	33
Atlanta	cloudy	[illegible]
B. Aires	sun	[illegible]
B.ham	cloudy	29
Bangkok	shower	[illegible]
Barcelona	sun	[illegible]
Beijing	fair	34
Belfast	cloudy	21
Belgrade	sun	33
Berlin	fair	31
Bermuda	fair	30
Bogota	drzzl	19
Bombay	shower	29
Brussels	sun	[illegible]
Budapest	fair	[illegible]
[illegible]	[illegible]	22
Cairo	sun	35
Cape Town	shower	16
Caracas	cloudy	[illegible]
Cardiff	cloudy	[illegible]
Casablanca	sun	27
[illegible]	cloudy	27
[illegible]	[illegible]	35
Dakar	thund	30
Dallas	sun	34
Delhi	shower	[illegible]
Dubai	sun	[illegible]
Dublin	[illegible]	[illegible]
Dubrovnik	sun	[illegible]
Edinburgh	rain	[illegible]
Faro	fair	29
Frankfurt	sun	36
Geneva	sun	32
Gibraltar	fair	28
Glasgow	rain	21
Hamburg	fair	31
Helsinki	fair	25
Hong Kong	rain	32
Honolulu	shower	32
Istanbul	sun	30
Jakarta	fair	31
Jersey	fair	25
Karachi	shower	30
Kuwait	sun	45
L. Angeles	sun	26
Las Palmas	sun	27
Lima	sun	18
Lisbon	fair	27
London	shower	32
Lux.bourg	sun	33
Lyon	fair	34
Madeira	fair	25
Madrid	sun	36
Majorca	sun	33
Malta	sun	32
Manchester	cloudy	27
Manila	rain	29
Melbourne	fair	14
Mexico City	fair	22
Miami	fair	32
Milan	sun	34
Montreal	rain	25
Moscow	shower	20
Munich	sun	32
Nairobi	fair	21
Naples	sun	33
Nassau	shower	32
New York	cloudy	31
Nice	sun	30
Nicosia	sun	39
Oslo	fair	27
Paris	fair	38
Perth	cloudy	16
Prague	sun	32
Rangoon	drzzl	30
Reykjavik	shower	15
Rio	shower	23
Rome	sun	33
S. Frsco	fair	22
Seoul	fair	33
Singapore	fair	31
Stockholm	fair	26
Strasbourg	sun	35
Sydney	fair	18
Tangier	sun	32
Tel Aviv	sun	32
Tokyo	fair	35
Toronto	shower	29
Vancouver	shower	21
Venice	sun	38
Vienna	fair	31
Warsaw	fair	29
Washington	fair	33
Wellington	shower	10
Winnipeg	fair	23
Zurich	sun	32

هنداوي الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday August 4 1994

IN BRIEF

DSM surges in second quarter

DSM, the Dutch chemicals group, attributed a 20-fold rise in net profit in the second quarter of 1994 to its continuing cost-cutting drive and a strong rise in sales. Page 14

Banks jostle for market share in Portugal
Banco Comercial Português's hostile bid for Banco Português do Atlântico is the opening bout of what is expected to be a fierce contest for market share. Page 14

Saint-Gobain heading for a rise
Saint-Gobain, the French glass and building materials group, should raise profits this year even without the impact of capital gains from the sale of its paper and packaging activities to Jefferson Smurfit of Ireland, according to Mr Jean-Louis Beffa, chairman. Page 15

Insurer pins hopes on shareholders
American General, the US insurance and consumer finance group, has indicated that it did not plan to intensify its $2.6bn battle for control of Unitrin, a smaller financial group, but hoped pressure from that company's shareholders would lead to a quick deal. Page 15

Derivatives dream turns sour
The dream of expanding equity derivatives trading in London through the introduction of mid-250 index futures appears to have turned sour. Page 16

Wickes to treble number of stores
Wickes, the UK DIY and timber retailer, has announced details of an expansion plan that could treble the size of its store portfolio over the next few years. Page 18

Caution reins in Chamberlain Phipps
Chamberlain Phipps, the UK shoe components and footwear maker which is about to float, will offer institutions and brokers shares at 165p, against expectations of between 230p and 240p. Page 19

Strong US sales lift Ransomes
Strong US sales helped Ransomes, the UK manufacturer of grass-cutting equipment and specialist industrial trucks, raise pre-tax profits from £1.21m to £6.71m ($10.4m). [illegible] 19

Banana leaders perceive danger
Caribbean leaders meeting in Barbados last week agreed that the market for bananas from the Caribbean and from other members of the African, Caribbean and Pacific (ACP) group was still in danger from European Union attempts to increase the access for cheaper Latin [illegible] bananas. Page 20

Electricity surge
UK electricity stocks surged as rumours swept the market that next week's regulatory review would turn out highly favourable. Speculation suggests that Offer, the industry watchdog, would deliver a downward price rebasing of 14 per cent. Page 21

Côte d'Ivoire attracts attention
Among the lesser known of the world's emerging markets the Côte d'Ivoire has begun to attract attention after the devaluation of the CFA Franc at the start of the year, which set the scene for renewed economic growth. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM) [illegible]

PARIS (FFr) [illegible]

NEW YORK ($) [illegible]

TOKYO (Yen) [illegible]

New York prices at 12.30pm.

LONDON (Pence) [illegible]

Akzo Nobel beats forecasts with 33% gain

By Ronald van de Krol in Amsterdam

[illegible] in Europe helped [illegible] Nobel, the Dutch-based chemicals group, to lift net profit by nearly 33 per cent in the second quarter, exceeding analyst forecasts.

The company, which said the results were better than it had expected, attributed part of the gains to synergy created by Akzo's acquisition last year of Nobel, the Swedish chemicals and coatings group.

Group net profit surged to Fl 288m ($162m) from a pro forma Fl 217m in this time last year.

When Fl 75m in extraordinary charges for reorganisation in the fibres division are subtracted, the rate of growth in net profit would have been 48 per cent.

Operating profit rose by 52 per cent to Fl 547m, on turnover up 5.5 per cent at Fl 5.56bn.

"[illegible] were [illegible] across the board, both for the former Akzo businesses and for the former Nobel ones," said Mr Syb Bergsma, finance director.

The chemicals sector saw the biggest increase in operating profit, up 88 per cent at Fl 173m, but coatings and pharmaceuticals [illegible] posted large gains of 41 per cent and 17 per cent, respectively.

Fibres, traditionally the weakest of the group's four businesses, saw operating profit improve to Fl 30m from Fl 7m, but Mr Bergsma said this performance was unsatisfactory.

Demand for fibres was higher in the latest quarter, but this positive note was largely offset by strong downward pressure on prices, particularly for textile fibres such as polyester.

The company said it was studying a range of options, including strategic alliances and business swaps with other companies, to bolster the fibres division, but it declined to give details.

Mr Bergsma said Akzo Nobel expected its second-half results to be higher than in the same period of [illegible], reflecting [illegible] recovery in Europe and continuing economic growth in the US.

However, he noted that the group also faced uncertain factors, such as the future direction of the dollar and raw material prices. A weaker dollar is, on balance, negative for Akzo Nobel.

In the second quarter, currency movements had little effect on results, but since then the dollar has dropped against the guilder.

German bank's mortgage strength offsets trading dip

By Christopher Parkes in Frankfurt

First-half operating profits at the Bayerische Vereinsbank group rose 8.7 per cent to DM574m from the first six months of last [illegible] on [illegible] count trading and sharply increased capital spending.

The main force behind the result was the Bavarian institution's strength in the busy German mortgage market, which helped bolster interest income by 17.5 per cent to just over DM2bn.

This strength – the bank is believed to control more than 20 per cent of domestic mortgage business – showed up in a 36.5 per cent surge in total operating profits at the German holding company. Net interest income surged almost 26 per cent in DM1.47bn.

While the recent volatility in securities markets led to higher write-downs for bonds and a loss of DM7.9m on its own-account business after a profit of DM150m in the first half of 1993, commission income rose almost 8 per cent to DM543m.

Partial operating income, excluding own-account trading results [illegible] before risk provisions, rose almost 21 per cent to DM956.5m.

Provisions for bad and doubtful debts were some 12 per cent lower at DM376m.

In common with other banks reporting recently – excluding [illegible] – Bayerische has this year started publishing half-time figures in direct comparison with the first half of the previous accounting period.

Bayerische said yesterday, that the traditional German practice of comparing an interim figure with the relevant proportion of the previous year's full results would continue in parallel until agreement had been reached on a common domestic standard.

German banks have typically insisted that comparing the first six months, for example, with six-twelfths of the previous annual total, was a better guide to progress because it ironed out seasonal and other distortions.

On the traditional basis, Bayerische's full operating profit was down 1 per cent, partial earnings were up 7.8 per cent, interest income was 13 per cent higher and commission earnings rose 1.7 per cent. Risk provisions were 21 per cent lower.

GKN glee over £190m payout

By Bernard Gray and Tim Burt in London

Westland, the UK helicopter manufacturer, yesterday settled a 14-year legal battle with the Arab Organisation for Industrialisation. The AOI has agreed to pay Westland, now part of the engineering group GKN, [illegible] ($295m) in compensation for a cancelled helicopter order in the late 1970s.

The deal [illegible] the [illegible] GKN paid for Westland this year.

A settlement was signed in London by Mr Alan Jones, a GKN director and former Westland chairman, and senior officials from Egypt and members of the Saudi royal family. It follows a number of court decisions in Westland's favour, most significantly the enforcement of a £115m interim payment by French authorities in June.

The case arose because the AOI dropped an order for 250 Westland Lynx helicopters after Egypt signed the Camp David peace agreement with Israel.

Analysts yesterday said they were surprised by the speed of the settlement and suggested that GKN had won control of Westland "very cheaply".

GKN's chairman, Sir David Lees, said he was delighted with the settlement which was more than he had anticipated when he had bid for Westland in February. "We bid ex the AOI settlement really, but it has fortunately worked out cum," he said.

Sir [illegible] the bid materially improved Westland's chances of doing business with the four member states of the AOI – Saudi Arabia, Egypt, Qatar and the United Arab [illegible].

City analysts think that Saudi Arabia offers the best prospect of export sales, with the kingdom thought [illegible] in the anti-submarine warfare version of [illegible] EH101 helicopter.

When GKN bid for Westland, shareholders were offered 335p a share in cash by GKN or 290p plus a share in any AOI settlement. So far additional payments of 60p have been promised, and a final 10p-15p may be possible. Those opting for the AOI settlement would then receive 360p-365p, rather than the 335p cash alternative. However, less than a quarter of 1 per cent of Westland shareholders voted to accept that offer, and GKN will only have to pay about £350,000 of the settlement to shareholders.

Sir David acknowledged that he had bought Westland for a very reasonable price and said prospects for other helicopter orders were encouraging. The Apache, which would be made under licence by Westland, is front-runner in the competition for a £2bn attack helicopter for the British Army.

Paul Abrahams and Richard Waters size up AHP's unthinkable move

Hostile bid starts a drugs re-evaluation

This week's $8.5bn bid by American Home Products, the secretive US healthcare and consumer group, for American Cyanamid, sent a shiver through the boardrooms of medium-sized drugs' companies.

If successful, the purchase of the US drugs, agrochemicals and consumer products [illegible] the largest outright [illegible] pharmaceuticals industry. It is also the first unsolicited bid in the sector since Roche offered $4.7bn for Sterling in January 1988.

Hostile bids in the sector had been viewed as inconceivable; but the rapid deceleration of growth in the pharmaceuticals industry, and the consequent collapse in drugs companies' price/earnings ratios, have made the unthinkable thinkable.

This is not the first bid since the slowdown in the sector. In May, Roche made an agreed $5.3bn bid for Syntex, but the target was in deep [illegible]. Quarterly sales of Naprosyn, its top-selling product, fell 82 per cent after its US patents expired in December.

In contrast, American Cyanamid is not in more difficulty than half a dozen others. The 50 per cent premium being offered by AHP sent shares up sharply in a number of other medium-sized groups.

In the UK, Wellcome's share price rose 17p to close at 676p; Zeneca's 13p to close at 771p; by lunchtime in New York, Warner-Lambert was trading at $71⅞, up more than 12 per cent from the bid announcement. Upjohn, a repeatedly touted takeover candidate, was up $1 at $32⅞. Even a comparatively successful mid-sized company such as Schering-Plough saw its shares rise 6.5 per cent to $66⅝.

Mr Jonathon Gelles, an analyst [illegible] Schroder, [illegible] "Paying 40-50 per cent premiums is not unreasonable."

The sector remains curiously fragmented, with the top [illegible] groups controlling only 28 per cent of the $200bn world market, according to brokers James Capel.

For AHP, the deal's industrial logic seems impeccable. The combined group would have drugs sales of about $6.4bn, making it the world's fourth largest after Merck, Glaxo and Bristol-Myers Squibb. AHP would be able to broaden its product range, allowing it to sell more drugs to managed care customers.

There would be few product overlaps. AHP's drugs arm, Wyeth-Ayerst, is strong in cardiovascular medicine, osteoporosis, anti-depressants, arthritis and oral contraceptives. The strengths of Lederle, American Cyanamid's drugs subsidiary, are antibiotics, cancer and vaccines.

But if the industrial logic makes sense, is the price right? The revelation that Mr Jack Stafford, AHP's chairman, has not yet full board approval suggests Tuesday's announcement was rushed. SmithKline Beecham's leaked interest in an assets swap with American Cyanamid probably precipitated AHP's statement.

Mr Stafford can partly finance the deal by breaking up American Cyanamid. He would probably sell the agrochemicals and animal health businesses. American Cyanamid's agricultural business is among the most profitable in the industry with margins over 17.3 per cent. It is fast-growing, with an niche in soya bean herbicides,

The agrochemicals business, the seventh largest in the world with annual sales of about $1.7bn, could command a premium of one to one and half times sales, according to brokers Wood Mackenzie. The animal health operations, with sales of about $305m would command a lower premium.

A further option is to sell American Cyanamid's generics operations. AHP already has its own generics arm, ESI-Pharma. Earlier this year it acquired Siegfried Pharma, a generics group in Germany, and is in the process of setting up a European generics wing based in the UK.

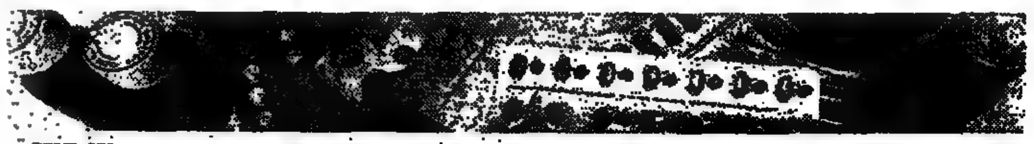
However, the acquisition only really makes sense if Mr Stafford can slash costs. He could cut American Cyanamid's marketing force, primarily aimed at doctors, and rationalise its research and development.

Mr Albert Costello, [illegible] Cyanamid's chairman, [illegible] engaged M[illegible] to [illegible] him consider his response and a possible defence. Given the size of the premium over the market price, the Cyanamid directors would almost certainly face shareholder lawsuits if they rejected the bid out of hand.

Mr Stafford's bid may prove to be a turning-point for sentiment towards the pharmaceuticals sector.

Roche's 50 [illegible] premium for Syntex was widely viewed as an eccentric move by a cash-rich Swiss company prepared to make long-term strategic moves. If Mr Stafford has done his sums correctly, AHP's 50 per cent premium may force analysts to change their valuations.

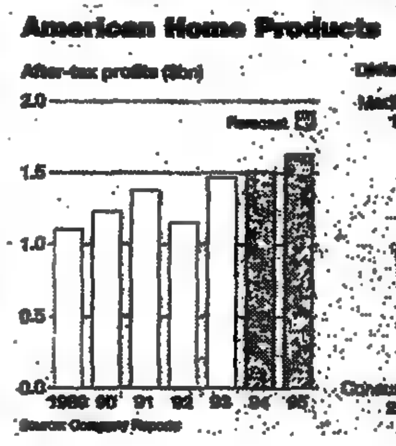
Lex, Page 12



COMPANY	NATIONALITY	GROUP SALES $bn	DRUGS SALES $bn	PROPORTION %	MARKET SHARE %	MARKET VALUE $bn
Merck	US	10.83	8.92	84	4.5	38.02
Glaxo	UK	8.18	8.18	100	4.1	27.89
Bristol-Myers Squibb	US	11.41	6.52	57	3.3	28.01
Hoechst	German	27.89	6.02	22	3.0	13.88
SmithKline Beecham	UK	9.07	5.24	58	2.5	16.58
Pfizer	US	7.48	5.13	69	2.6	20.28
American Home Products	US	[illegible]	4.78	[illegible]	[illegible]	[illegible]
Eli Lilly	US	6.45	4.76	74	2.4	14.80
Roche	Swiss	9.70	4.55	47	2.3	42.19
Sandoz	Swiss	10.22	4.54	44	2.3	18.74
Johnson & Johnson	US	14.14	4.49	32	2.2	30.31
Ciba	Swiss	15.82	4.46	29	2.2	17.81
Takeda	Japanese	6.56	4.32	66	2.2	10.80
Bayer	German	24.64	3.91	16	2.0	16.11
Rhône-Poulenc Rorer	US	4.02	3.49	87	1.7	4.87
Sankyo	Japanese	4.65	3.44	74	1.7	4.01
Schering-Plough	US	4.34	3.37	78	1.7	12.84
Upjohn	US	3.61	3.01	83	1.5	5.53
Shionogi	Japanese	3.10	2.94	95	1.5	3.32
American Cyanamid	US	[illegible]	2.37	[illegible]	[illegible]	5.72
Astra	Swedish	2.90	2.85	98	1.4	13.39
Marion Merrell Dow	US	2.82	2.82	100	1.4	5.58
Zeneca	UK	[illegible]	2.81	42	1.4	11.02
Wellcome	UK	[illegible]	2.72	[illegible]	1.4	[illegible]
Pharmacia	Swedish	[illegible]	2.69	[illegible]	1.3	3.87
Boehringer Ingelheim	German	[illegible]	2.65	78	1.3	unquoted
Yamanouchi	Japanese	[illegible]	2.55	77	1.3	[illegible]
Schering	German	[illegible]	2.51	77	1.3	[illegible]
Fujisawa	Japanese	[illegible]	2.18	[illegible]	1.3	[illegible]
Warner-Lambert	US	[illegible]	2.11	36	1.1	[illegible]

Source: [illegible]

American Home Products



Source: Company Reports

Warburg settles with SBC

By Norma Cohen, Investments Correspondent

S.G. Warburg yesterday settled a "dealing dispute" between itself and Swiss Bank Corp by agreeing to make a charitable donation on Swiss Bank's behalf.

The London Stock Exchange, which had been asked by SBC to consider whether Warburg had broken exchange rules, said no further action was required.

The exchange declined to say if its domestic equity rules committee had decided that Warburg had actually broken the rules, nor did it state that it was Warburg which had been required to make the donation. Earlier a sub-committee had determined that Warburg had violated a rule obliging a marketmaker to fill a "firm limit order" from a client when the marketmaker had the opportunity to do so.

Yesterday, Warburg declined to comment, while SBC said it was happy that the dispute had been settled to the benefit of charity.

The exchange said there was a need to consult with the Takeover Panel on rules about firm orders to buy shares during bids.

The dispute stemmed from an unusual offer by Warburg during Enterprise Oil's contested bid for Lasmo when it, as broker to Enterprise, offered a select group of institutional investors in Lasmo the opportunity to sell their shares at a price well above the market.

SBC is said to have complained that although it had left a firm order to sell its Lasmo shares, Warburg failed to meet its obligation to do so. Warburg, in turn, is said to have argued that SBC had left no such order, and that in any event, marketmakers have an option, but not an obligation, to fill those orders before offering to buy shares from elsewhere.

Lex, Page 16

Profits at DSM surge to Fl 98m in second quarter

By Ronald van de Krol

DSM, the Dutch chemicals group, [redacted] net profit rose more than 20-fold in the second quarter of 1994 compared with the same quarter of 1993.

Net profit jumped to Fl 98m ($55m) from just Fl 4m, on turnover up slightly more than 8 per cent at Fl 2.27bn.

The [redacted] figures take [redacted] profit for the first half [redacted] Fl 181m, [redacted] significant improvement from the Fl 10m posted in the first [redacted] months of 1993.

The company [redacted] it had profited from its continuing cost-cutting drive and from a strong 12 per cent rise in sales by volume [redacted] the [redacted] half.

This, in turn, reflected economic recovery in Europe and resurgent [redacted] from important customers, such as the European vehicle industry.

Demand for caprolactum, a raw material used in making nylon, was also on the increase in [redacted] and [redacted] Europe.

At the same time, the flow of cheap, competitive supplies of the feed stock from central and eastern Europe had slowed.

"The improvement in results is first and [redacted] due [redacted] higher sales volumes," Mr Ad Timmermans, a DSM board member, [redacted] "Selling prices are still low, but [redacted] upward trend."

DSM gave no definitive forecast for the rest of the year but the company said that the traditional "summer dip" in the current third quarter would probably be less pronounced than in previous years.

Sales by volume are expected to remain high in the second half, while a slight [redacted] in prices should set in for some products.

Mr Timmermans said [redacted] profit was "gratifying", but [redacted] that profit levels [redacted] still [redacted] low.

DSM will pay an interim [redacted]idend [redacted] Fl 0.50, representing one-third [redacted] sharply [redacted] total dividend of Fl 1.50 in 1993.

The company cautioned, [redacted] that the interim dividend did not [redacted] indication [redacted] the full-year dividend.

Building boom lifts Wienerberger

By Ian Rodger in Zurich

Wienerberger Baustoffindustrie, [redacted] building materials [redacted] pre-tax profit on ordinary activities jumped 53 per cent to [redacted] in [redacted] first half, [redacted] to [redacted] home-building boom in Austria [redacted] in [redacted] neighbouring countries.

The [redacted] business to remain brisk in [redacted] ond half, and have [redacted] ordinary pre-tax profits [redacted] will [redacted] to Sch1.1bn [redacted] last year's [redacted]

Group [redacted] dropped 20 per [redacted] in the first half [redacted] reflecting [redacted] the sanitary [redacted] subsidiary [redacted] Wolseley [redacted] UK. The [redacted] posted extraordinary profits [redacted] the period, virtually all [redacted] sale.

Pre-tax profits [redacted] wall, ceiling [redacted] roofing [redacted] division [redacted] to [redacted] of the pipe systems [redacted] ogy division advanced 34.3 per cent [redacted]

[redacted] property [redacted] division [redacted] than doubled [redacted] pre-tax profits from [redacted] Sch168.7m, [redacted] the [redacted] its investment in [redacted] development [redacted] made good [redacted] in renting [redacted] Park [redacted]

The [redacted] Treibacher ferro-alloys [redacted] reduced its [redacted] SFr17.2m [redacted] from SFr21.9m after more rationalis[redacted] and [redacted] slight improvement in [redacted]

Tesco deals knock-out blow in bid for Wm Low

By Neil Buckley and David Owen in London

Tesco, the UK's second-biggest food retailer, yesterday struck a [redacted] blow in the take[redacted] battle for William Low, the Scottish supermarket group, with [redacted] increased [redacted] of 360p [redacted] share.

[redacted] new [redacted] which values [redacted] Scottish [redacted] at £247.4m ($383.5m), persuaded rival J. Sainsbury to pull out of the contest. Sainsbury bid 305p a share last week, valuing Wm Low at £210m. [redacted] bid [redacted] 60 per [redacted] more than [redacted] original bid three [redacted] of [redacted] a share, which valued Wm Low [redacted] £154m.

Mr James Millar, Wm Low's chairman, [redacted] regretted that the company was [redacted] independence but [redacted] "delighted" with [redacted] placed [redacted] it by [redacted] offer.

The board [redacted] likely [redacted] today to vote [redacted] formal recommendation to shareholders.

Wm Low's [redacted] 23p up at [redacted] – having touched [redacted] before Sainsbury's [redacted]drawal – more than twice the 169p they [redacted] at before [redacted] original bid. [redacted]bury was [redacted] 419p, but [redacted] closed down 5¼p [redacted] 237½p, amid fears about [redacted] acquisition's impact [redacted] earnings.

[redacted] shopping as the margins drop, [redacted] 11; Lex, [redacted] 12; Everyone's a winner, Page 18

Portugal's banks take their corners

The battle for market share is warming up, writes Peter Wise

The gloves are off in the normally sedate world of Portuguese banking. Banco Comercial Português's hostile bid for Banco Português do Atlântico is the opening bout of what is expected to be a fierce contest for market share.

BCP's cash offer of Es132bn ($819m) for a controlling stake of 40 per cent of BPA, [redacted] rival almost twice its size, has important implications for a financial system where state control has long held aggressive instincts in check and most banks are just beginning to find their feet after privatisation.

The takeover would make BCP so much bigger than its main competitors that other large acquisitions or mergers would almost certainly follow. If the bid is successful, BCP will move to second position, from fifth, in the ranking of Portuguese banks by total assets.

Less than a decade after BCP was founded by a small group of Portuguese businessmen, it is bidding to become the country's largest private-sector banking group. The new group would be almost as big as Caixa Geral de Depósitos, which dominates Portuguese banking with a 28 per cent market share. CGD is now the only state-owned institution among Portugal's top five banks.

"BCP's competitors will all be forced to rethink their strategies if the takeover goes ahead," says Mr Alexandre Vaz Pinto, of Banco Espírito Santo. BES, for example, has an 11 per cent share of the market, compared with 9.5 per cent for BCP. But control of BPA would more than double BCP's share to 24 per cent.

BCP's pugnacious move has taken Portugal by surprise. But concentrations of banking power had been forecast. "Portuguese banks are too small to compete internationally and there is big potential for rationalisation," says Mr João Rendeiro, a Lisbon fund manager. "BCP is taking the first step in an inevitable reshaping of the sector."

On one level, the outcome of the bid depends on the solidarity of BPA's core shareholders. BCP is only likely to be successful if one of the Portuguese businesses that together own a controlling stake of 27 per cent of BPA – which they are now seeking to enlarge – abandons an agreement not to sell outside the group. The offer of Es3,000 a share is 14 times 1993 earnings.

But BCP must also win the approval of the finance ministry, the stock exchange commission and the central bank. The government's commitment to liberalising the financial sector, which was almost totally nationalised after Portugal's left-wing revolution in 1974, would appear be in BCP's favour. Blocking the bid could be viewed as interference in the market.

Analysts say BCP's offer, the equivalent of 2.3 times BPA's 1993 book value, also sets an attractive price level for future bank privatisations. The sale of sixth-ranked Banco Pinto & [redacted] Mayor and the [redacted] remaining 25 per cent holding in BPA will virtually complete bank re-privatisations, which began in 1989.

BCP's move would also seem to be towards creating [redacted] strong Portuguese group equipped to compete on [redacted] European level – [redacted] trend eagerly advocated by Mr Aníbal Cavaco Silva, the prime minister. But although Portuguese businesses control BCP, the bank's largest single shareholder is Banco Central Hispano, the Spanish banking group. BCH owns 20 per cent but its voting rights are limited to 10 per cent.

Official espousal of a traditional Portuguese aversion to economic dominance by Spanish companies is only thinly veiled. Banesto, another Spanish bank, is under pressure to reduce its direct and indirect holding of [redacted] per [redacted] in Banco Totta e Açores, Portugal's third-ranked banking group.

On the surface, BCP control of BPA would increase Spanish influence in Portuguese banking. But some analysts see the takeover bid partly as a defensive move that would create a large group over which it would be much harder for BCH to gain control.

Lisbon also has to consider whether BCP's proposed purchase would distort competition. The takeover would mean that two banking groups, BCP and CGD, dominated more than 50 per cent of the market.

The government gives an indication of its current thinking in the privatisation terms for BPSM. These state that acquisition of BPSM should not give rise to a group whose size could lead to "significant imbalances" in the financial market.

[redacted] control [redacted] BPA is unlikely [redacted] the [redacted] competitive [redacted] in Portugal's newly-privatised banking [redacted]tor will have been irrevocably changed.

PORTUGAL'S TOP FIVE BANKS*

	Market share by total assets (%)	Net assets (Es bn)	Own capital (Es bn)	Employees	Branches
Caixa Geral de Depósitos	28.0	[redacted]	[redacted]	9,357	501
Banco Português do Atlântico	14.5	2,440.1	190.3	5,308	329
Banco Totta e Açores	14.0	[redacted]	[redacted]	[redacted]	255
Banco Espírito Santo	11.0	2,005.7	160.5	6,944	230
Banco [redacted] Português	[redacted]	1,758.1	[redacted]	[redacted]	266

*End-1993 figures. Source: annual reports

Harrisons & Crosfield has good first half

By Peggy Hollinger in [redacted]

[redacted] & Crosfield, the UK industrial conglomerate, yesterday unveiled a better-than-expected [redacted] per cent [redacted] in interim profits [redacted] ($92.8m).

The payout is unchanged [redacted] fourth successive year [redacted] 3.6p. Earnings [redacted] 12 per cent to 4.6p.

[redacted] in [redacted] first half were flat at £1.1bn, [redacted] in H&C's building and timber supplies [redacted] strong. This division [redacted] fastest growth in the [redacted] months [redacted] operating [redacted] ahead by 27 per cent [redacted] £13.6m.

Lex, Page [redacted]

Bulgaria plans to sell off tour operator

By Theodor Troev in Sofia

The Bulgarian government [redacted] Balkantourist, [redacted] largest state-owned tour operator, with a stake of at [redacted] 51 per cent being offered to a single investor.

The remainder will be split between employees and domes[redacted] investors, with employees offered 20 [redacted] cent.

"We will [redacted] equal terms for [redacted] and local investors [redacted] in the privatisation of the company," said Mr Bonka Hinkova, first vice-president of the [redacted] in Sofia.

[redacted] Germany, Inghams of the UK – [redacted] the Hotelplan [redacted] concern – and the Louis Organisation, [redacted] Cyprus-based holding comprising hotels, [redacted] tors, cruise lines [redacted] airport shops, [redacted] in acquiring [redacted] majority [redacted] in [redacted]

[redacted] lining up to buy [redacted]

Private [redacted] and [redacted] of Bulgaria's most powerful private financial groups, including Multigroup, Tourist-[redacted] and Bulvar [redacted] reported [redacted] be discussing the opportunity.

Balkantourist, [redacted] tourism monopoly, was founded [redacted] years ago. Until 1990 the company administered all [redacted] facilities in the country.

UK funeral group seeks white knight

By [redacted] in London

[redacted] Southern Group, the UK funeral company under [redacted] from [redacted] Corporation International, [redacted] the US, is in discussions with a potential white knight, understood to be one [redacted] SCI's US [redacted]

Great Southern's share price rose 28p to 708p after it revealed the discussions. Analysts said that [redacted] new offer [redacted] exceed [redacted] This compares with SCI's increased bid [redacted] 680p.

TCI and Viacom in pact talks

By Bronwen Maddox in New York

Tele-Communications (TCI), the largest operator of cable systems in the US, and Viacom, the entertainment group, yesterday confirmed that they were in talks about [redacted] strategic [redacted] of their businesses.

TCI said yesterday it had been in conversations for some time with Viacom as well as other companies, but declined to comment on reports that the Viacom talks focused on a potential merger of cable and programming operations and on the sale of Viacom's Madison Square Garden division.

Viacom, which earlier this year succeeded in its long struggle to take over Paramount Communications, has been looking for ways to rationalise its huge portfolio.

The attraction of an alliance between the [redacted] groups, [redacted] investment analysts, [redacted] link Viacom's Showtime pay-cable operations with TCI's [redacted] also add value to [redacted] cable television operations, they said.

However, any talks would have to address the antitrust [redacted] by [redacted] TCI last year during the tussle over Paramount. TCI threw its weight behind QVC, a rival bidder for Paramount.

Viacom is known to be keen to sell Madison Square Garden, which it [redacted] from [redacted]mount. The division includes the New York Rangers hockey team and the New York Knicks basketball team.

Viacom said yesterday it had been discussing a number of initiatives, but would not comment on speculation.

RPR seeking approval for anti-cancer drug

By John Ridding in [redacted]

Rhône-Poulenc Rorer, the US pharmaceuticals arm of Rhône-Poulenc of France, yesterday announced it had submitted licence applications in [redacted] US, Canada and Europe, for Taxotere, [redacted] drug.

The [redacted] represent [redacted] first global application since RPR [redacted] acquired by [redacted] in 1990. [redacted] for use in [redacted] cancer and lung cancer.

هكذا من الأصل

INTERNATIONAL COMPANIES AND FINANCE

Upbeat forecast from Saint-Gobain

By John Ridding in Paris

Saint-Gobain, the French glass and building materials group, should raise profits this [illegible] without the impact of capital gains due to be earned from the sale of its paper and packaging activities, according to Mr Jean-Louis Beffa, chairman.

In an interview with La Tribune Desfossés, the French financial daily, Mr Beffa said the group could count on satisfactory growth this [illegible] and improve on 1993, when group profits fell by 45 per cent to FFr1.31bn ($245m).

He cited strategic factors behind the FFr5.6bn sale of its paper and packaging activities, mostly held by its Cellulose du Pin division, to [illegible] Smurfit of Ireland.

"A group like ours [illegible] develop its activities with the aim of being among the leaders in each area. The wood and paper businesses lacked this dimension," Mr Beffa said. Cellulose du Pin, he said, was "too small and [illegible] French" and would have stronger prospects [illegible] part [illegible] a larger international group.

The disposal will [illegible] remove [illegible] source [illegible] for the French group.

Last [illegible] Pin [illegible] FFr1.1bn, as [illegible] reeled under the impact [illegible] a severe [illegible] under [illegible], however, and rationalisation [illegible] prompt industry analysts [illegible] predict [illegible] improved performance this year.

The [illegible] should also help reduce Saint-Gobain's debts, already trimmed from [illegible] FFr15bn at the [illegible] of [illegible] by [illegible] FFr3.6bn capital [illegible] launched in [illegible] that, the debt [illegible] equity [illegible] from [illegible] per [illegible] to about [illegible] per cent.

[illegible] important, however, the [illegible] of the paper and packaging operations will allow Saint-Gobain to [illegible] agement [illegible] financial [illegible] on [illegible] core [illegible] – glass, building materials and ceramics.

Mr Beffa said the group was entering a new phase of industrial investments. Next year, he said, would see a clear increase above the FFr4.2bn of investments already made.

All core businesses would benefit, according to Saint-Gobain, but particular emphasis would be given to its flat glass activities.

Expansion would be achieved through direct investments and possibly acquisitions in emerging markets, such as eastern Europe and Asia, and in areas where the [illegible] already present.

Smurfit plays catalyst for change

Takeover could spark further consolidation, says **Deborah Hargreaves**

Jefferson Smurfit's takeover [illegible] Cellulose du Pin, [illegible] paper [illegible] Compagnie [illegible] Saint-Gobain, [illegible] French glass and building materials group, [illegible] a ripple [illegible] consolidation in [illegible] highly fragmented European packaging industry.

"The industry [illegible] more consolidation to [illegible] healthy and I hope we [illegible] something of [illegible] catalyst in that," said Mr Howard Kilroy, Smurfit's president and chief operations [illegible].

Although Jefferson will [illegible] largest producer [illegible] corrugated [illegible] in Europe [illegible] largest packaging companies after [illegible] merger, [illegible] will hold only [illegible] 10 [illegible] market [illegible] try [illegible] command a [illegible] of 20 to 30 per cent of sales in other [illegible].

Smurfit [illegible] looking [illegible] further expansion in [illegible] and packaging [illegible] as [illegible] industry emerges from [illegible].

[illegible] Kilroy believes [illegible] can turn round [illegible] du Pin's loss-making [illegible] quickly [illegible] the [illegible] of the industry upturn which [illegible] this year, and [illegible] tion effort which has gone into the French group's operations in recent years.

"They are some good assets which have been well-invested [illegible] are just coming [illegible] some historical problems," says Mr Kilroy.

The packaging arm made [illegible] loss of FFr1.1bn ($204m) last year, but Mr Kilroy says that much of that can be accounted for by a fluff pulp plant and a wood business which are not included in the takeover deal. In addition, the French group had incurred restructuring [illegible] in making [illegible] operations more [illegible].

The [illegible] reckons [illegible] the takeover will enhance its earnings per share in 1996.

The merger of Smurfit's European operations with the French company will pivot [illegible] into [illegible] for corrugated board, with production overtaking the [illegible] SCA, by 200,000 tonnes.

Corrugated board, used predominantly in the manufacture of cardboard boxes, is a leading indicator of economic recovery as it is such a widely used packaging material. Industry watchers say demand is picking up fast in Europe.

Mr Tim Rothwell, packaging analyst at Barclays de Zoete Wedd, the Lon[illegible] house, says demand is up by 12 per cent in Italy and between 3 per cent and 5 per cent in Germany, the Netherlands, France and the UK.

At the same time, raw [illegible] increasing – waste paper prices have risen by up to 50 per cent following a 30 [illegible] upturn in [illegible] pulp prices this year.

In some [illegible] which is used for making corrugated board is not available. Two German mills have been forced to suspend operations this year for lack of raw materials. Smurfit is well equipped to provide waste paper to Cellulose du Pin's French corrugated business, which Mr Kilroy describes as a "jewel". Smurfit runs the second largest waste paper recycling business in France.

Some analysts are sceptical that the company will be able to make the savings it says it will to turn the business round. Mr Dennis Christie, packaging analyst at James Capel, the London brokerage, notes that corrugated paper producers are finding it hard to pass on higher raw materials costs to their customers.

"The company might suffer a short-term margin squeeze, but it is a good time in the cycle to purchase, and over the longer term it is probably a good thing," says Mr Christie.

He says the purchase price paid by Smurfit for the French company is relatively cheap compared with other companies in the sector. He points out that Smurfit is paying a price equal to 70 per cent of the turnover of Cellulose du Pin, whereas similar companies have a market capitalisation equal to 120 per cent to 130 per cent of sales on European stock markets.

Europe's leading packaging companies

	Sales ($bn) 1993 est
CarnaudMetalBox	[illegible]
Viag	[illegible]
[illegible]	[illegible]
Saint-Gobain†	[illegible]
Pechiney	[illegible]
Tetra-Laval	[illegible]
KNP BT	1.74
SCA	1.71
[illegible]	1.45

[illegible] after the acquisition; Jefferson Smurfit [illegible] before acquisition. † before acquisition
Source: BZW[illegible]

American General pins hopes for Unitrin bid on shareholders

By Richard Waters in New York

American General, [illegible] US insurance and consumer finance group, yesterday indicated that it did not plan [illegible] intensify its $2.6bn [illegible] for control [illegible] Unitrin, [illegible] smaller financial [illegible] but [illegible] hoping [illegible] from that [illegible]ny's [illegible] would [illegible] to [illegible] quick [illegible].

The Texas-based company's bid, [illegible] Unitrin's board in early July and [illegible] on Tuesday, has been rejected by the Unitrin board.

A takeover would [illegible] to American General's existing [illegible] force, which specialises in selling insurance and other financial products to mostly blue-collar [illegible] throughout the US.

Mr Harold Hook, American General's chairman and chief executive, said [illegible] announce[illegible] had [illegible] made [illegible] Unitrin's [illegible] to put pressure on [illegible] to accept [illegible] deal.

"If the shareholders don't bring the [illegible] probably wouldn't bring [illegible] siege approach," he said. "[illegible] isn't the opening shot in [illegible] long war."

[illegible] important part [illegible] American General's campaign [illegible] the 17 [illegible] Unitrin's [illegible] held by [illegible] Henry Singleton, who until earlier this [illegible] was [illegible] company's chairman.

Mr Singleton, [illegible] instrumental in building [illegible] Unitrin and [illegible] believed [illegible] retain considerable influence.

A successful American General bid would throw into question three large equity stakes in US companies held by Unitrin, worth around $1bn.

These are a 28 per cent interest in Litton Industries, the defence electronics company; 28 per cent of Western Atlas, an oil services company spun off by Litton earlier this year; and 43 per cent of Curtiss-Wright, an aerospace components maker.

American General said it believes that Unitrin, with [illegible] funds [illegible] has [illegible] too much capital. If [illegible] in the bid, [illegible] would [illegible] likely to sell the [illegible].

Net income at Baer slips 24% to SFr54m

By Ian Rodger in Zurich

Baer Holding, the Zurich-based private banking and asset management group, has reported a [illegible] cent [illegible] in first-half net income to [illegible] ($42m) after sharply reduced profits from trading.

Baer said trading income tumbled 68 per cent to SFr38m "owing to the unfavourable developments on the financial markets".

Foreign exchange and precious metals trading profits were off by a third to SFr40m, while trading on the bank's own portfolio resulted in a SFr4m loss compared with a profit of SFr55m in the extremely favourable conditions prevailing in the first half of 1993.

Net interest income was flat at SFr60.5m while net commission income rose 28 per cent to SFr144.9m.

At June 30, total assets stood at SFr7.46bn, 3 per cent lower than at the end of 1993, due to the weaker US dollar. Shareholders' equity, on the other hand, was up [illegible] per cent to [illegible].

Assets under management, excluding global custody business, stood at SFr43.6bn, down 3 [illegible] the end of 1993.

Share offer launched for Hitachi offshoot

By [illegible] in Tokyo

Hitachi, the Japanese [illegible] group, [illegible] offering seven [illegible] own [illegible] for every [illegible] held by [illegible] investors [illegible] Hitachi [illegible] Corporation, [illegible] distribution offshoot.

The parent already has a 59 [illegible] in Hitachi [illegible] and [illegible] values [illegible] some Y39.85bn [illegible].

[illegible] the subsidiary have fallen by [illegible] Hitachi announced [illegible] intentions last week, including [illegible] dip [illegible] Y625 yesterday.

With Hitachi's own [illegible] since last Thursday's announcement and unchanged on the day [illegible] Y1,010, the all-scrip [illegible] implies a [illegible] premium of some [illegible] cent.

Hitachi [illegible], with revenues [illegible] Y433bn [illegible] its [illegible] operates a chain [illegible] retail outlets. [illegible] hit by [illegible] downturn in Japanese consumer spending, and profitability [illegible] past [illegible] has been marginal.

The deal, says Hitachi, will streamline product development and marketing and rationalise management resources. Officials deny suggestions [illegible] the move may [illegible] precursor [illegible] a withdrawal from consumer electronics, which represents about 10 per [illegible] business.

New lines are being sought [illegible] its [illegible]. The company yesterday joined Sega Enterprises [illegible] the [illegible] Saturn, a video-game machine [illegible] be launched in November.

Mexico opens door to foreign institutions

By Damian Fraser in Mexico City

Mexico's finance ministry [illegible] expected [illegible] give approval soon [illegible] more than 100 applications from foreign [illegible] institutions to open up [illegible] this year.

The institutions, which include banks, brokerages, "non-banks", insurance, [illegible]ing and leasing firms, [illegible] allowed into [illegible] under [illegible] of [illegible] North America [illegible] Trade Agreement, which opens up gradually [illegible] financial sector. Non-US and Canadian banks [illegible] apply through their North [illegible] subsidiaries.

The [illegible] ministry [illegible] had [illegible] applications [illegible] 20 banks, 17 brokerages, [illegible] insurance companies, [illegible] non-banks, 12 leasing companies, and four factoring businesses, [illegible] others, [illegible] the July [illegible] deadline. [illegible] barring [illegible] problems, all applications would be given authorisation, and [illegible] operating by the end [illegible] year.

[illegible] foreign [illegible] will initially invest [illegible] pesos ($2.74bn), [illegible] lend in [illegible] according [illegible] the government.

In the brokerage sector, Goldman [illegible], Merrill Lynch, J. P. Morgan, Citibank, Chemical Bank, Morgan Stanley, Bankers Trust, Lehman Brothers, [illegible] Bank, Con[illegible] Bank, ING Capital Holdings, Indosuez, Santander, [illegible] Bank, [illegible] Capel and Baring [illegible] applied.

Some, [illegible] as J. P. Morgan, Morgan Stanley, Citibank, Santander, ING, and Chemical bank [illegible] applied [illegible] banks.

Posco trims year's target despite first-half advance

By John Burton in [illegible]

Pohang Iron & [illegible] (Posco), [illegible] Korea's largest steelmaker, reported [illegible] per cent [illegible] in [illegible] profits [illegible] Won145bn ($181m) for [illegible] half [illegible].

It lowered [illegible] profit [illegible] for [illegible] year [illegible] Won344bn [illegible] the expectation [illegible] further foreign exchange [illegible] on yen-denominated debt, [illegible] earnings during the [illegible] half.

Posco, [illegible] world's second [illegible] company, had [illegible] rise in [illegible].

It expects sales of Won7,240bn [illegible] full [illegible].

Increased demand from [illegible] main [illegible] helped maintain Posco's position as one [illegible] the world's [illegible] profitable [illegible] companies.

Profits [illegible] higher [illegible] prices [illegible] declining [illegible] of raw materials. But earnings fell slightly [illegible] expectations due [illegible] foreign exchange [illegible] resulting [illegible] strong yen.

Rodamco in two Spanish property deals

Rodamco, the international property arm of Robeco Group, the Dutch pension fund, has acquired two of Spain's largest shopping centres in a Pta12bn ($92m) deal, writes Tom Burns in Madrid.

The Dutch group bought Parque Sur, a 110 sq metre complex [illegible] Madrid, and Bahia Sur, a 57 sq metre retail area outside Cadiz. The price could rise to Pta15bn if post-purchase financial criteria are met. The centres were launched by Parques Urbanos, a domestic developer that collapsed last year, and were owned by Banco Exterior, part of the Argentaria banking group.

Spain's biggest shopping centre, La Vaguada in north Madrid, valued at close to Pta12bn, [illegible] poised [illegible] change [illegible] of [illegible] contract signed between its owners, Compagnie Financière [illegible] Suez, [illegible] Union-Unibail, the French investment [illegible]

INTERNATIONAL CAPITAL MARKETS

Europe marks time as US Treasuries soften

By Conner Middelmann in London and Frank McGurty in New York

European government bonds had a quiet day, with most markets ending little changed after the softer tone in the US pulled prices off their highs.

■ Italian bonds put on one of the strongest performances as political tensions appeared to subside after members of the coalition government indicated on Tuesday that they did not want a government crisis.

In largely futures-led trading, the September BTP future on Liffe rose 0.70 point [illegible] 103.25.

However, the issue over the division of the prime minister's business and political interests remains unresolved [illegible] could drag on, weighing on markets in weeks to come. Moreover, observers fear the government may run into problems when it seeks to implement some of its planned budget cuts later this year.

"We still have the possibility of negative news in September," said Mr Marco Pianelli, southern Europe economist at Nomura Research Institute in London. "Cuts in the pensions and health sector will be a true test of the government's credibility in stabilising Italy's debt-to-GDP ratio."

■ Spanish [illegible] in spite of the Bank of Spain's [illegible]ted cut in its key [illegible] rate by 15 basis points to 7.35 per cent.

However, the move triggered [illegible] follow-through buying, partly [illegible] Spanish market has outperformed other high-yielding markets in recent weeks, benefiting from financial and political woes in other countries such as Sweden and Italy. The [illegible] September bond future rose 0.18 point to [illegible].

■ Long-dated UK government bonds ended a volatile day little changed, outperformed by the shorter maturities. The short end of [illegible] yield [illegible] had sold off sharply in recent sessions on fears of near-term base-rate increases, but increasing confidence that the Bank of England is [illegible] about to lift [illegible] supported [illegible] shorter maturities yesterday.

The September long [illegible] future on Liffe ended at 103[illegible], unchanged on the day.

GOVERNMENT BONDS

■ German bonds had [illegible] range-bound [illegible] largely by futures as [illegible] kept a low profile. The September [illegible] futures [illegible] closed at 94.01, down 0.05 point on the day, but traders said it may test resistance at 94.20 today.

■ US bond prices softened yesterday morning [illegible] awaited an announcement on the size of next week's Treasury refunding operation.

By midday, the benchmark 30-year government bond was [illegible] lower at 86[illegible], with the yield edging up to 7.426 per cent. At [illegible] short end, the two-year note was off [illegible] at 100[illegible], to yield 5.99 per cent.

While the market was not encouraged by the morning's economic news, it was not unduly disturbed either. Prices across the board slipped after the Commerce Department said its index of leading economic indicators was up 0.2 per cent from the previous month, against forecasts which centred on 0.1 per cent. Later, the government announced that new orders for factory goods in June had risen 0.8 per cent, in line with expectations.

By holding losses to modest levels, the market signalled its inclination to pause ahead of Friday's more [illegible] employment data. Trends in the labour market during July should give traders better guidance [illegible] whether the Federal Reserve will move to lift short-term interest rates on or before [illegible] August 16 policy-making session.

IFC brings C$300m zero coupon deal

By Tracy Corrigan

The recent spate of Canadian dollar bond offerings continued yesterday, with deals for the International Finance Corporation and Canadian Global Funding, a special purpose vehicle.

INTERNATIONAL BONDS

The heavy schedule of Canadian dollar eurobond redemptions, totalling C$1.8bn in August, has prompted a steady [illegible] of reinvestment into the Canadian market.

European retail investors are replacing maturing bonds with new Canadian dollar bonds because they do not want to realise losses incurred on the currency.

In addition, the high yields available in the Canadian market, which has sold off sharply this year, has attracted some new money to the market. With 10-year Canadian government bonds yielding nearly 200 basis points more than US Treasuries, [illegible] are starting to look again at the market.

IFC, the private sector arm of the World Bank, brought the first zero coupon deal in Canadian dollars for about a year, a C$300m six-year deal arranged by Daiwa Europe.

"The market has sold off so much that zero coupon bonds now look quite attractive," said a manager at the London arm of one Canadian house. "It's a leveraged play on a [illegible] outcome for the Canadian market," he added.

Also in the Canadian sector, Can[illegible] Global Funding, a vehicle guaranteed by Financial Security Assurance, a specialist [illegible], added a further C$100m to its C$150m 10-year deal launched last week via Hambros.

The combination of a 10 per [illegible] coupon [illegible] a triple-A rating proved enticing for retail investors, who [illegible] not normally venture so far along the yield curve, and [illegible] attracted some institu[illegible].

The original [illegible] was [illegible] at a spread of 70 basis points over the curve, but had tightened to 68 basis points yesterday, the spread at which the new tranche was priced.

● British Telecommunications plans to set up a $1.5bn multi-currency Euro-commercial paper programme, arranged by NatWest Capital Markets, with a total of six dealers. The programme will be used, in conjunction [illegible] BT's existing $1bn US [illegible] programme, to finance the company's investment in a 20 per cent interest in MCI Communications.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Export-Import Bank of Korea‡	200	[illegible]	[illegible]	[illegible]	0.20	-	LTCB Asia
Citibank, Brazil Branch‡	60	[illegible]	[illegible]	Aug.1997	1.125R	-	Citibank International
YEN							
DNIB★‡	[illegible]	(c)	[illegible]	[illegible]	undisd.	-	Norinchukin International
Treasury Corp. of Victoria(d)	[illegible]	3.20	[illegible]	[illegible]	[illegible]	-	[illegible]
STERLING							
General Electric Capl.Corp.(e)	50	7.50	97.28R	Dec.1996	0.80R	+15 (7¼%-96)	BZW/ Kidder Peabody Intl.
D-MARKS							
Allgemeine Hypotheken Bank‡	[illegible]	(f)	[illegible]	Aug.1997	[illegible]	-	Commerzbank
CANADIAN DOLLARS							
[illegible] Finance Corp.	300	[illegible]	69.58R	[illegible]	0.165R	[illegible]	Daiwa Europe
Canadian Global Funding(h)	100	[illegible]	99.77R	Aug.2004	0.375R	+68 (8¾%-04)	Hambros Bank
AUSTRALIAN DOLLARS							
Queensland Treasury Corp.★	100	4.808	91.366	Aug.1997	1.375	-	Nomura International

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 6-mth Libor +30bp. b) 6-mth Libor +350bp. c) 2.3% fxd to 25/11/96 and 6-mth Libor +[illegible] thereafter. d) Short 1st coupon. e) Fungible with £100m. Plus 261 days accrued. f) 3-mth Fibor flat. g) Over interpolated yield. h) [illegible] launched 25/7/94 was increased to C$250m.

Equity futures trading dreams begin to fade

The dream of expanding equity derivatives trading in London through the introduction of mid-250 index futures appears to have turned sour.

The first futures contract on the FT-SE mid-250 index – the 250 biggest stocks below the FT-SE 100 – was launched at the begining of February on the OMLX exchange, a screen-based securities and derivatives exchange [illegible] in Sweden.

Liffe's mid-250 product started trading three [illegible] later.

But six months on, some market participants have not only [illegible] questioning the [illegible] of the mid-250 futures contract as a product but suggest the OMLX should throw in the towel.

Vol[illegible] on that exchange have continued to slide from a peak of 5,778 in the first month to no [illegible] in July.

[illegible] contract has performed with an average of 3,500 contracts in each of the last three months. By comparison, the FT-SE 100 contract [illegible] an average of 342,000 contracts a month over the same period.

Several reasons are cited for [illegible] failure of the [illegible] contract.

Chief among these is the unfortunate timing of the launch. US interest rates were raised the day the OMLX [illegible] trading. This not only triggered a large correction in the stock market but also inspired a move by institutional investors back to FT-SE 100 equities.

Products associated with the 250 thus fell out of favour.

[illegible] of liquidity in the 250 stocks. [illegible]ks in this group are by [illegible] less liquid than FT-SE 100 constituents. Traders therefore have less scope to arbitrage.

[illegible] market participants describe the launch as premature. Mr Barry Marshall, head of derivatives investment [illegible] the Gartmore fund management group said: "It was introduced a little too early. We still haven't managed to persuade all our clients to use the FT-SE 100 future.

"More effort should have [illegible] into helping clients understand the benefits of futures rather than introduce new products."

Mr Nigel Croft, derivatives

DERIVATIVES

analyst at Kleinwort Benson, believes there is a [illegible]et for the [illegible] future but [illegible] as [illegible] presently used: "I think there will be demand for it as a tool for asset allocation, particularly as more people get used to asset allocation in one country and between [illegible]."

However, the general problems that confront the mid-250 futures contract [illegible] product cannot mask the specific failure of trading on the OMLX exchange which seems to have been severely squeezed by Liffe.

Many dealers say they prefer the face-to-face dealing and the geographical proximity offered on the Liffe. [illegible] that [illegible] have also indicated a preference for dealing through Liffe. A trader at BZW said: "They tend to [illegible] Liffe as more creditworthy even though the risk is with us when we take on the deal."

Independent traders [illegible] locals, a mainstay of the Liffe trading system, have also shyed away from the OMLX system.

"We prefer to just walk over to the mid-250 pitch and deal. With OMLX we have to phone the order through, fiddle about and so forth... it just takes more time to deal," said one local.

The lack of liquidity in the sector as a whole has also prevented the OMLX from benefitting from the only advantage it appears to have over Liffe, that of offering traded options in the mid-250 index. Liffe has yet to introduce mid-250 traded options.

As [illegible] put it: "You need liquidity in [illegible] futures to get into the traded options. Without that there is no reason for [illegible] involved."

Directors at the OMLX, acknowledging [illegible] less than impressive performance, introduced in June "flex" future and options which allow dealers to adjust the strike prices and expiry dates of contracts like over-the-counter products. The move was designed to inject liquidity into the market and to [illegible] any OTC mid 250 business.

But for some it was already too late, and they were not prepared to try anything new [illegible] by [illegible] OMLX exchange.

[illegible] traders Tullet & Tokyo said: "As far as I am concerned that product on the OMLX is dead. It just doesn't work."

But Mr David Courtney, marketing director [illegible] refuses to concede defeat. He said: "Our members recently decided that we there was still a need for us and decided we should continue. We plan to do so."

But so too does Liffe. This [illegible] it [illegible] its contract had [illegible] clearence from US authorities to be sold to US [illegible].

Joel Kibazo

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

US INTEREST RATES

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Ecu

■ ECU BOND FUTURES (MATIF)

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

FT/ISMA INTERNATIONAL BOND SERVICE

FLOATING RATE NOTES

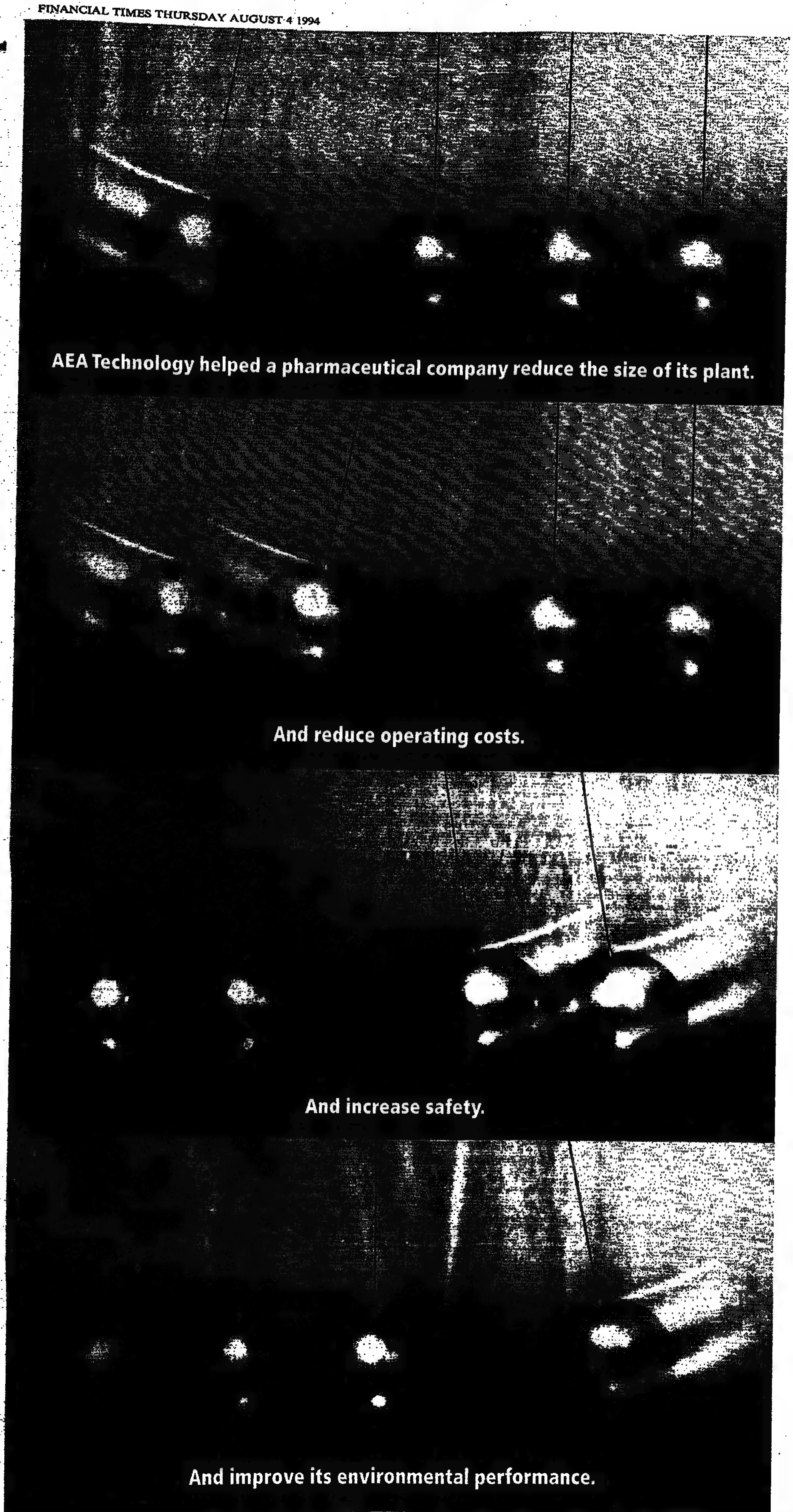
CONVERTIBLE BONDS

GILTS PRICES

Other Fixed Interest

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

مكتوب من الأصل



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Expansion plan could treble number of stores over next few years

Wickes doubles to £8.76m

By Tim Burt

Wickes, the DIY and timber retailer, yesterday announced details of an ambitious expansion plan that could treble the size of its store portfolio over the next few years.

Encouraged by buoyant trading, which more than doubled half-year pre-tax profits from £4.1m to £8.76m, the group said it hoped to be operating 200 stores in the UK and 100 in continental Europe within five years.

Mr Henry Sweetbaum, chairman, said the group had launched nine new stores in the six months to June 30 and planned to open 10 more by the year-end – taking the total to 97.

He said the group had been persuaded to accelerate the pace of expansion by a sharp upturn in operating profits and an 11 per cent increase in like-for-like sales at its existing stores.

The pre-tax figures, however, were flattered by reduced interest payments [illegible] £1.82m (£5.23m), which fell sharply after the group used funds from last year's £58.1m rights issue to reduce net debts from £72.9m to £16.3m – equivalent to gearing of 11 per cent.

At the operating level, profits rose from £10m to £12.5m on increased turnover of £355.2m (£294m).

"The recession has turned into a recovery and we have outperformed our competitors in the sector," said Mr Sweetbaum.

He also hailed an improved performance from Hunter Timber, which moved [illegible] the black for the first time in several [illegible] with an £800,000 profit.

Although Malden Timber – the merchanting business – continued to operate at a loss following flat first quarter sales, Mr Sweetbaum predicted its losses would decline following [illegible] wide-ranging structural [illegible].

Under the reorganisation, costing £1.9m in the first half and £1.4m over the next six months, Malden's management will be integrated into Hunter Timber.

Earnings per share rose from 1p to 1.6p and an interim dividend of 0.5p (0.2p) is declared.

Brendan [illegible]

Henry Sweetbaum: we have outperformed our competitors

● COMMENT

Despite the robust upturn in operating profits, Mr Sweetbaum was sufficiently concerned about interest rate rises to sound a note of caution on the likely strength of the recovery. Nevertheless, Wickes has tailored recent price cuts to demand and won the volume growth to pay for it. It also expects to generate enough cash to open 29 new stores next year, six of them on the continent. That optimism, despite recent planning setbacks in France, prompted a 2p rise in the shares to 97p. Full-year profit forecasts have been clipped to £30m to take account of further reorganisation in the timber business, leaving the shares on a forward multiple of 18. Although that looks top heavy, the p/e is likely to fall to a more attractive 12 next year if profits reach forecast levels of £45m.

Equifax bid for UAPT challenged by Trans Union

By Simon Davies

UAPT-Infolink, one of the UK's leading credit referencing companies, was yesterday caught in a bidding war between North America's two major credit assessment groups, with two consecutive offers for the group announced in one day.

Equifax had announced a 500p recommended offer on July 26, and its offer document was due today. It was pre-empted by a rival 550p bid yesterday from Trans Union, another North American credit information business.

Equifax responded by offering 600p. But despite UAPT board support for the 500p bid, the higher bid has not been recommended.

A spokesman for UAPT said it had explained its reasons to Equifax, and the board will today consider its response to the new bid.

The cash offers compare with a UAPT share price as low as 75p earlier this year, but reflect the value of UAPT's substantial consumer and business data base.

Equifax already has a similar share of the UK consumer credit referencing market to UAPT's Infolink, but this is loss-making. It would be able to reduce costs and increase customers through a link-up with UAPT.

Trans Union, which is a subsidiary of the Marmon Group and made an unaudited pre-tax profit of $65m (£42m) in 1993, has no experience of the UK market. It is looking to retain UAPT as an independent business, providing a toe hold in Europe.

The assurance of independence is likely to appeal to UAPT's management, and the board unanimously [illegible]mended Trans Union's [illegible] offer, which values [illegible] company at £43m.

The board has also secured irrevocable indications of support from shareholders representing 12.1 per cent of its shares.

By comparison, the rationale behind the Equifax bid is to add value to the business through the merger of the two UK consumer credit businesses, which would inevitably mean job losses and substantial cost cutting.

UAPT has suffered a substantial loss [illegible] market share in its core consumer credit business in recent years, primarily to CCN Systems, a subsidiary of Great Universal Stores, which has built up an estimated 60 per cent market share.

Low-down on Low bid

Appearances could be deceptive in Tesco's victory

By Andrew Bolger

At first sight it might appear that the takeover battle for William Low, the struggling Scottish food retailer, has been resolved with winners all round.

Shareholders in the Dundee-based group will receive £247m from Tesco, compared with the £154m which the retailer offered only 18 days earlier. Tesco was still confident it would obtain a good return from the Wm Low stores – in spite of having been forced to increase its first bid by £93m.

Even J Sainsbury, which intervened with a £210m offer and thus forced forced Tesco to pay more, has laid to rest its reputation as the retailing giant which would never become involved in a hostile takeover battle.

But some hard questions remain. How could the board of Wm Low and its merchant bank advisers, Baring Brothers, have recommended the original bid as "full and fair" – particularly since Tesco reckons it can still make money from the deal, even after increasing its offer by 60 per cent?

How could retailing analysts and the market have so undervalued Wm Low's shares, which in April touched 138p – 222p less than Tesco's latest offer of 360p?

Advisers to Wm Low said their hand had been forced by the rapid deterioration in the Dundee group's trading position this summer.

Sir Ian MacLaurin, chairman of Tesco, first approached Wm Low in April, and discussions resulted in a cash bid of 180p per share being mooted – a figure which was later increased to 200p. The Wm Low board checked with their store managers, heard that trading conditions were stabilising, and decided to sit tight.

But when Tesco returned in July, with a firm offer of 225p, trading had worsened markedly. Like-for-like sales, the life-blood of any retailer, were down 12 per cent. Sir Ian made his offer conditional on a recommendation by Wm Low.

The recommendation was not over-enthusiastic. Mr James Millar, chairman of the Scottish group, said merely that the Tesco offer represented "better value for shareholders than the value Wm Low could achieve as an independent retailer, as the harsher retail food market and our lack of scale limit our prospects for profit growth over the next few years."

Barings said that – given the deterioration in Wm Low's trading position, and Tesco's insistence on the bid being recommended – the only way to test whether more could be obtained for shareholders was by making the offer public, and letting the market decide.

There was real concern that analysts would get wind of the drop in sales and start raising concerns about the group's dividend – pushing the shares even lower.

Analysts concede they made a mistake in focusing on Wm Low's poor profits performance, rather than the underlying value of its bricks and mortar to competitors. But few could have foreseen that Tesco and Sainsbury would be prepared bid against each other for the 57-store chain.

Tesco was confident that Sainsbury would not become involved in a contested bid – even although Wm Low warned Sir Ian in writing that it did not consider his £247m offer would necessarily be a knockout blow.

Perhaps the biggest winner is the empty-handed Sainsbury. It has has shown the City it is prepared to become involved in a contested bid and stop a rival gaining market share on the cheap – but not pay over the odds.

A Sainsbury adviser said: "We know the value of the business and were not prepared to pay a penny more. If a rival has been forced to pay more for it, that's no bad thing."

PowerGen buys back 2.5m shares

By Michael Smith

Shares in the electricity sector moved ahead strongly after PowerGen, the power generation company, said it had repurchased for cancellation 2.5m of its own equity.

The market welcomed PowerGen's purchase, which represents 0.3 per cent of the total shares in issue, on the grounds that it will boost earnings per share and is likely to lift dividend payments per share.

Shares in other companies in the sector were affected by the positive sentiment. All of them have taken powers at recent annual general meetings to buy back shares.

PowerGen is only the second electricity company to do so, the other being Eastern Electricity.

PowerGen has shareholder approval to buy back 10 per cent of its equity. The [illegible]pany said yesterday it [illegible] consider further repurchases in the coming months as market circumstances permitted.

Analysts calculated that if it repurchased the full 10 per cent, earnings could be increased by between 5 and 6.5 per cent within a year.

PowerGen has low gearing, with net debt at the end of last year at £282m and likely to fall this year unless the company spends significant amounts of money on acquisitions.

Some [illegible] yesterday's purchases, made at 527p, as [illegible] signal to the market that the company [illegible] not see opportunities for large acquisitions.

Others felt that it was [illegible] pos[illegible] for [illegible] company seeking an American Depositary Receipts listing in the US to enhance the marketability of its shares.

Yesterday's buybacks will please the Treasury since the possibility of further buybacks is likely to provide support for PowerGen's shares in the run-up to the government's sale of its remaining 40 per cent in the company, probably in October.

Shares in the regional electricity companies were also lifted yesterday by hopes that the review of their distribution businesses by the industry regulatory may be less severe than was previously feared.

SR Gent pulls out of retailing

SR Gent is to withdraw from retailing and concentrate on its core manufacturing business.

The fashion [illegible] group, [illegible] a chain [illegible] women's fashion stores under the Susan Woolf name, said the start-up costs and protracted recession in mainland Europe had resulted in [illegible] trading losses than planned. A £7m provision [illegible] be made in the year to end-June 1994.

Trencherwood margins ahead

By Graham Deller

Trencherwood, the Newbury-based housebuilder, reported [illegible] of [illegible] for the six months to April 30 [illegible] of [illegible].

The outcome compared with profits of £1.8m on turnover of £4.78m, although [illegible] were exceptional credits last time of £3.45m.

"This heralds the return [illegible] the company to real profitability," said Mr John [illegible], chairman of this [illegible].

Sales from residential activities totalled £9.7m (£4.8m), including £2.8m related to land trading [illegible].

The group sold [illegible] units during the [illegible], an increase [illegible] some 36 per cent, at an average price of [illegible].

The policy of working through sites acquired during the recession and subsequent reinvestment in new sites at lower prices helped gross margins improve from 15.8 per cent to 25 per cent on a year-on-year basis.

At the period end the land bank stood at 6,558 plots, 2,305 of which have planning consent or are zoned for development.

Earnings per share emerged at 1.03p (3.74p) basic or 0.55p (2.11p) fully diluted.

Members back merger of northern building societies

By Alison Smith and Chris Tighe

The planned merger between Northern Rock Building [illegible]ety, the UK's 11th largest, and North of England Building Society, its smaller neighbour, has been approved overwhelmingly by members of both organisations.

The approvals – reflecting the consent of more than 90 per cent of members voting – mean that the merger is on course to go ahead on October 1.

While the percentages of approvals were impressive, the turnout figures were rather less so.

Only about 10 per cent of North of England's 330,000 or so potential votes were cast. And just 1 or 2 per cent of Northern Rock's 764,405 investing members and 186,917 borrowers took part.

Mr Chris Sharp, Northern Rock managing director, was unapologetic about the low proportion of voting.

He said there was no reason to suppose that those who did not vote were unhappy with the merger plans.

Yesterday's special general meeting of Northern Rock – only the second since the soci[illegible] was formed in 1965 – [illegible] a vivid illustration of how even a small amount of member participation can put society directors on the spot.

Though little more than [illegible] hundred members attended [illegible] meeting, this did not guarantee a trouble-free ride for Mr Robert Dickinson, chairman.

A series of waspish questions – delivered by apparently benign senior citizens – aired several prickly issues, including directors' pay and the bonus offered as part of the deal to North of England, but not Northern [illegible] members.

Silver-haired retired head teacher Miss Marguerite Maxwell weighed [illegible]. She had been a [illegible] investor for 30 [illegible], while a friend [illegible] account to the North of England.

"She who deserted the Northern Rock gets a bonus and I who have been a loyal member do not. I don't agree with that and I think it most unfair."

Mr Dickinson gave the stan[illegible] North [illegible] England's reserves were larger and that society [illegible] disappear, whereas Northern Rock would remain.

Miss Maxwell, unimpressed, [illegible] supported by [illegible] rebel who asked plaintively: "Couldn't you give a sweetener to Northern Rock members?"

Later, and marginally less diplomatically, Mr Sharp said that people stayed with Northern Rock and with some other societies because they knew that in the longer-term that was where their best interests lay.

"There is no way I would have attempted to persuade my board to pay a bonus to Northern Rock members at this time," he said. "We are a dynamic and ongoing outfit."

The 1.4m members of Cheltenham & Gloucester Building Society will get a similar opportunity to cross-question their directors at the special general meeting which must be held to seek their approval for the £1.8bn [illegible] from Lloyds Bank.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 04.08.94: Pool purchase price £/MWh	Final Prices for Trading on 02.08.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.05	17.40	19.98
0100	8.59	11.56	14.08
0130	8.57	11.56	14.08
0200	8.57	11.56	14.08
0230	8.57	11.56	14.08
0300	8.57	11.56	14.05
0330	8.57	11.56	14.08
0400	8.57	11.56	14.08
0430	8.57	11.56	14.05
0500	8.57	11.56	14.05
0530	8.90	11.42	13.90
0600	8.90	11.72	14.20
0630	[illegible]	11.72	14.20
0700	[illegible]	22.45	24.93
0730	[illegible]	23.85	26.34
0800	[illegible]	23.90	26.39
0830	17.16	30.73	33.23
0900	[illegible]	25.02	27.56
0930	[illegible]	35.55	38.15
1000	[illegible]	40.87	43.45
1030	[illegible]	40.88	43.49
1100	[illegible]	40.95	43.57
1130	[illegible]	41.12	43.79
1200	[illegible]	41.25	43.95
1230	[illegible]	41.15	43.85
1300	[illegible]	51.73	54.35
1330	[illegible]	30.92	33.48
1400	[illegible]	30.04	32.56
1430	[illegible]	26.90	29.41
1500	[illegible]	24.94	27.44
1530	[illegible]	24.93	27.43
1600	[illegible]	24.95	27.49
1630	[illegible]	33.73	36.27
1700	[illegible]	47.20	49.75
1730	[illegible]	47.15	49.67
1800	[illegible]	33.60	36.10
1830	[illegible]	24.89	27.37
1900	[illegible]	24.88	27.36
1930	[illegible]	23.60	26.08
2000	[illegible]	23.51	26.00
2030	[illegible]	23.51	26.00
2100	[illegible]	23.51	26.00
2130	[illegible]	23.20	25.68
2200	[illegible]	31.26	33.74
2230	[illegible]	34.44	36.92
2300	[illegible]	23.20	25.68
2330	[illegible]	23.51	26.00
2400	[illegible]	22.12	24.60

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg [illegible]. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.
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FFr32m French buy for Laird

Laird Group has, through Draftex Industries, its French subsidiary, acquired Godard and its sister company, SMC, for a total consideration – including borrowings – of FFr32m (£3.9m).

The two businesses acquired are involved in the manufacture of metal hoses, principally for the automotive industry.

In 1993 they had a combined turnover of FFr120m.

Draftex is a supplier of rubber hoses to the French automotive industry through its subsidiary, Soratech, which is based in [illegible].

Cookson sells business for £2.3m

Cookson Group has sold its UK colour compounding and masterbatch business, Colourfast Plastics, to Americhem Holdings International for £2.3m cash.

The disposal is the last stage in the group's exit from this activity.

In 1993 Colourfast incurred a small operating loss on turnover of £2.6m. Its net assets at disposal were about £2.3m.

Correction

Sir Alex Alexander

The original name of Sir Alex Alexander who died last week was Alexander Kesztenbaum, not Korda Kestenbaum as stated in our obituary on July 29. We regret the error.

Restructured Halkin returns to black with £1.25m at midway

By Clare Gascoigne

Halkin Holdings, the [illegible] and brewing group, announced a profit for its first six months as a restructured company.

Pre-tax profits [illegible] group, bought by Mr Howard Hodgson, the former funeral [illegible], in August 1993, were £1.25m [illegible] turnover [illegible] £11.4m [illegible] the six months to July 2.

The year-end was changed from March 31 to end-December; for the nine months to [illegible] the group incurred a [illegible] of £998,000 on turnover of £478,000.

The group has ungone a radical restructuring in the past year, acquiring Ronson, the lighter and aerosol group, for £10m and LGW, a gift company now trading as Clifford International, for £9.5m.

The purchases were funded partly by a £15m rights issue, and Halkin said both were performing well.

The company said it was beginning an "international brand-building programme" to re-establish the Ronson name. Three new collections of lighters, pens and watches were being launched.

Clifford [illegible] strengthened its product range, with airline listings up on the previous year, and the brewery has returned to profits.

Earnings per share were 2.46p, against losses of 17.2p. No interim dividend is declared, but the board said it intends to recommend a full-year distribution.

A Shaw plans sale and leaseback

Arthur Shaw & Company has announced the sale and leaseback of premises in the West Midlands to Stepvale.

Shaw's chief executive and chairman have connections with Stepvale. Accordingly shareholders' approval will be sought at an extraordinary meeting on August 24, when a capital reorganisation will be considered.

The sale has been agreed at £525,000 cash, and is expected to enable Shaw to repay more than £500,000 to Midland Bank.

The plans to reorganise the share capital, which is currently 8.76m ordinary shares at 10p each, consist of a 2-for-1 subdivision and a 2-for-1 capitalisation issue. This would result in 35m ordinary shares of 5p each in issue.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
CRT ....fin	2.5†	Dec 15	2.1	3.25	2.8
Fairway § ....int	1.2†	Oct 5	1.1	-	3.35
Harrisons/Crosfd ......int	3.6	Dec 12	3.6	-	9
Wickes ....int	0.5†	Dec 7	0.2	-	1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

LEGAL NOTICES

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

Name of company: Trust Mail Limited (formerly known as Mala Limited). Registered No: 1837532. Trading name: As above. Trade classification: 07. Name and address of joint administrative receivers: David John Stokes and Michael Joseph Moore, Coopers and Lybrand, 1 East Parade, Sheffield S1 2ET. Office holder numbers: 2682 and 5562. Date of appointment: 26 July 1994. Name of appointor: National Westminster Bank Plc. Signed: D J Stokes Dated: 26th July 1994

Ransomes shares rise 12p on sharp advance

By Caroline Southey

Shares in Ransomes rose 12p to 42p yesterday as strong US sales helped the manufacturer of grass-cutting equipment and specialist industrial trucks lift pre-tax profits from £1.21m to £6.71m in the half year ended July 2.

Turnover rose by 14 per cent to £102m (£89.7m).

Ransomes also announced the departure of Mr Geoffrey Comer, the financial director. The company has undergone extensive management changes [illegible] the [illegible] of Mr John Clement as chairman in October 1993.

There [illegible] no [illegible]nary interim dividend although [illegible] company will pay its April [illegible] convertible preference dividend [illegible] the end of October. Steinhardt Partners, a [illegible] hedge fund [illegible] which [illegible] preference shares, almost [illegible] 15 [illegible] of [illegible] in Ransomes earlier this [illegible] because of preference dividend payment arrears. Preference shareholders become enfran[illegible] if arrears are not paid within six months of their due date.

The company has reduced its net borrowings to £72.5m (£85m)leaving it with gearing of 400 per cent.

Earnings per share emerged at 4.5p against losses of 4.4p.

The boost in turnover came primarily from north America where sales rose from £34m to £43m. Total operating profits more than doubled from £5.4m to £11m, the largest contribution coming from the commercial sector with profits of £7.7m (£2.4m) on turnover of £68.1m (£56.5m). Lossmaking operations in France and Germany returned to profit.

Mr Clement said the company had "exercised tighter control over cash with stocks and borrowings significantly improved". Existing stock had been reduced from £51.9m to [illegible] while more [illegible] were being sold straight off the production [illegible]

He said a top tier of "[illegible]sive management" had been removed and the workforce worldwide had been cut by 12 per cent. No new staff had been recruited and sales per employee had increased from £45,000 to £59,000.

Operating margins improved to 10.8 per cent (6 per cent).

Mr Peter Wilson, chief executive, said the order book looked promising and future sales would be boosted by new products. The company's aim was to increase its penetration of the US fairways market where it had only 5-8 per cent of market share.

Mr Clement said the debt burden would be reduced partly by the sale of surplus land. Ransomes has 150 acres available for disposal, valued at £27.6m. In the balance sheet the company has reclassified surplus land and buildings in current assets as property for disposal.

CRT to acquire Systems Resources for £6.35m

By Peter Franklin

CRT, the recruitment and training group, yesterday announced it was to expand its information technology recruitment business with the acquisition of Systems Resources.

The consideration, excluding fees and expenses, is £6.35m. Of this, £1.5m will be satisfied by the allotment to the vendors of 1.52m ordinary shares in CRT, the issue of £2.36m of guaranteed unsecured loan notes, with the balance of £2.49m in cash.

CRT also announced it was to raise £9.6m net of expenses via an issue of 11.9m new ordinary shares on a 2-for-9 basis at 85p apiece. The rights issue has been fully underwritten by SG Warburg Securities which, together with James Capel, will act as broker.

Some £4.85m of the funds raised will be used to finance the cash and loan note element of the acquisition. The balance will fund the integration and working capital requirements of the enlarged business.

Systems [illegible] made [illegible] (£175,000) pre-tax on [illegible] of £13.3m (£10.1m) in the year to September 30 1993.

The announcement came as the company reported its results for the year to April 30.

On turnover up from £47m to £47.4m, which included £4.39m (£11.8m) from discontinued operations, pre-tax profits [illegible] from [illegible] £532,000.

However, stripping out losses and closure [illegible] activities, continuing operations showed [illegible] 25 per cent advance from £3.9m to £4.9m.

The group has withdrawn from its consultancy activities and repositioned Pitman Training by replacing the traditional college-based activities with new training centres.

[illegible] per share emerged at 0.13p (4.22p earnings). A recommended final dividend of 2.5p makes 3.25p (2.8p) for the year.

The shares closed down 4p to 101p.

Blue Circle sells New World for £5.5m

By Richard Gourlay

Blue Circle Industries, the UK's largest cement company, has sold its lossmaking New World Domestic Appliances subsidiary to a management buy-in team for £5.5m.

The maker of gas cookers and ovens was part of Birmid Qualcast, which Blue Circle bought in a hostile £330m bid in 1988.

The Warrington-based company incurred a £2.2m operating loss in 1993 on sales of [illegible]

[illegible] Circle [illegible] incur a write-off on the value [illegible] World's net assets of £8.7m. The total write-off in the accounts to June 1994, after recognising £35.1m of goodwill written off against reserves at acquisition, will therefore be £43.8m.

Murray Johnstone Private Equity Limited, the venture capital group, funded the £5.5m equity portion of the management buy-in and Nat [illegible] Acq[illegible] [illegible] providing £5m of senior debt.

The buy-in is being led by Mr [illegible] Hassall, [illegible] company will be chaired by Mr Jeoff Samson, [illegible] executive of Yale & Valor and chairman of Hunterprint, the struggling specialist printer.

Blue Circle said the sale was consistent with its strategy to concentrate on heavy building materials, heating [illegible] bathrooms.

Blagg to cut debt with rights issue

Blagg, the building suppliers merchant, is to reduce borrowings with a 1-for-1 rights issue to raise about £318,000.

[illegible] issue is [illegible] 15.9m new ordinary 2p shares at par.

The USM-quoted group also announced a substantial fall in pre-tax profit from £1.5m [illegible] the [illegible] months to April 30. The fall, on turnover down from £1.31m to £1.25m, was because of an exceptional credit of £1.49m the previous year, arising from group restructure.

Earnings per share were 0.01p (9.47p); excluding exceptionals, the previous year's figure [illegible] 0.1p.

Chemring makes £4.8m offer for Kembrey

By Katrina Lowe

Chemring, the [illegible] of anti-missile chaff, [illegible] rockets and waterproof clothes, has made a recommended offer for Kembrey valuing the group [illegible] or 17.6p per share.

Irrevocable undertakings have been [illegible] by [illegible]tors of Kembrey, [illegible] about [illegible] per [illegible] of the [illegible] capital.

[illegible] of [illegible] acquisition policy and through developing core activities, Chemring's indebtedness [illegible] July 15 [illegible] £4.4m. Consequently it plans to raise about [illegible] via a placing [illegible] 1.97m [illegible] ordinary [illegible] offer [illegible] shareholders.

Chemring yesterday [illegible] forecast that it would pay a final dividend of 6.56p for the year to September 30, making a total of 9.8p (9p).

Kembrey is principally engaged in the manufacture of marine survivor location products, as well as consumable refractory materials and precision components.

Kembrey shares added 4p to 16p. Chemring shares were unchanged at 299p.

Placing values AromaScan at £27m

By Tim Burt

AromaScan, the developer of an "electronic nose" – a new technology to detect odours – yesterday announced a placing price of 100p to raise £12m [illegible] its forthcoming flo[illegible]

Although the placing was originally expected to value the company at about £35m, yesterday's pricing gave it a market capitalisation of £27m.

Mr Fred Worth, finance and operations director, said he was delighted with the value put on the company and described earlier estimates as an "inexact science".

After expenses, the placing of 12m new ordinary shares will leave the company with £11.2m to invest in a new plant and develop industrial applications for the technology.

The electronic nose system, pioneered and developed at the University of Manchester Institute of Science and Technology (Umist), relies on a large library of polymers to identify smells and produce digital print-outs.

Mr Worth said the company was negotiating joint venture arrangements with a number of international groups which are keen to exploit the technology in areas such as air management, purification systems and wound dressings.

Existing shareholders have agreed to retain their stakes for at least two years following the placing, handled by NM Rothschild with Peel Hunt acting as broker.

Meanwhile, Neotronics Technology – AromaScan's main rival – yesterday announced a new marketing initiative to promote its own electronic nose to potential joint venture partners and new clients.

The maker of gas analysis equipment said it was setting up a new subsidiary – Neotronics Scientific – which will develop and sell its equipment around the world.

Mr Stephen Collins, a former international marketing manager at Fisons, is to join the group later this month and will be targeting some 800 companies which [illegible] expressed an interest in the system.

Fairway ahead 30% to £1.39m

Fairway Group, the USM-quoted provider of print [illegible] and distributor of [illegible] supplies, lifted pre-tax profits by 30 per cent in the half year to June 30, from [illegible] to [illegible]

The advance was achieved [illegible] results from its activities. [illegible] Binery and Spectrum Marketing Services reporting a 28 per cent and 50 per cent fall in pre-tax profits respectively.

Mr Gordon Waddell, chairman, said remedial action had already been taken at Hickeys. At SMS an "urgent reorganisation and computerisation of the business" together with the installation of a new press had caused disruption and pressure on margins.

Group turnover improved to £24.5m (£20.1m).

The interim dividend is lifted from 1.1p to 1.2p, payable from earnings per share of 2.92p (2.3p).

Chamberlain issue price set at 165p

By Peggy Hollinger

Chamberlain Phipps, the shoe components and footwear manufacturer which is about to float on the stock market has been forced to rein in its ambitions by a cautious market.

The group said yesterday it would offer institutions and brokers shares at 165p, against expectations of between 230p and 240p.

The price values the group at £73.6m, compared with expectations in May of more than £90m. Mr Dan Sullivan, chairman, said the placing had been substantially oversubscribed.

The issue will raise £37.7m, of which £6.8m will go to existing shareholders. Chamberlain will receive £27.2m net of [illegible] and buy out £5.4m [illegible] preference [illegible] by Mr Sullivan and [illegible] General Ventures.

[illegible] Sullivan, an American investor, formed the [illegible] in [illegible] by acquiring the [illegible] of [illegible] Group [illegible] £12m, with [illegible] backing [illegible] *Legal* [illegible] General Ventures.

Mr Sullivan said the company would not be affected by the decision [illegible] come [illegible] the market at a sharply reduced price. Existing investors had decided to sell fewer shares, leaving the company with the planned amount of net proceeds. Dealings are expected to begin on August 15.

After the flotation, debt will represent some 65 per cent of shareholders' funds.

Mr Sullivan said Chamberlain would [illegible] seeking European acquisitions in the coming months.

Mr Sullivan is selling 1m of his 12.5m shares, leaving him with [illegible] 25 per cent stake. Legal [illegible] General [illegible] selling only about half the number [illegible] originally envisaged and will retain [illegible] 21 per cent holding.

The [illegible] operating profits [illegible] £11.6m [illegible] of £118.3m for the year to April 2. This compared with profits of £12.4m and sales of £186.9m for the previous 18 months.

The notional [illegible] dividend for the year was 7.3p. Historic earnings per share [illegible] 10.1p.

[illegible] the 22.9m shares being placed with institutions, some 7.7m will [illegible] subject [illegible] clawback [illegible] applications from brokers.

In the right shape to float with ease

Gary Mead on the approach which achieved a coherent whole

Mr Dan Sullivan, [illegible] and archi[illegible] of [illegible] modern-day [illegible] Phipps, is unperturbed about the setback to his ambitions for the company's share price.

"We wanted to get the transaction completed and get back to business." In his eyes, the setback is only temporary.

US-born Mr Sullivan seems to have the experience to take a long-term view. He boasts a track record of more than 30 buy-ins and flotations, including Tyco Toys.

From his strategic level, Chamberlain Phipps seems another success story: "I look for companies that need something correcting other than just capital. Then I feel I can buy them at a reasonable price because they won't be as attractive to other people who aren't set up to work on the management issues, people who are looking merely to be financial investors."

Mr Sullivan came to Chamberlain in 1992, when its parent Evode had run into difficulties and was looking to make disposals. After having paid £88m for the then-quoted business in 1989, Evode sold the shoe components division to Mr Sullivan and Legal & General Ventures for just £11.9m. Evode retained Chamberlain's adhesives and related businesses.

The tasks facing the new owners were vast and Chamberlain Phipps' problems were long-standing.

[illegible] in 1912, [illegible] grown during [illegible] and [illegible] by ad hoc acquisition, [illegible] to meld [illegible] divergent [illegible] and [illegible] coherent [illegible]

By the time Mr Sullivan came along, Chamberlain had drifted into some very costly activities.

These included an unnecessarily large transport [illegible] of 40 juggernauts, single-skilled shopfloor [illegible] and a cen[illegible] touting almost [illegible] product lines, with little emphasis [illegible] exporting and no [illegible] In addition there were 15 different buying points in some areas of the group, hand-written sales ledgers [illegible] communications [illegible] It [illegible] "an administrative albatross," according to Mr Jim Dale, Chamberlain Phipps' group financial director, who acted as Mr Sullivan's scout for management buy-in opportunities in the UK.

The new owners set about creating what Mr Dale calls "a more planned environment, in which people know what they are accountable for, not operating as before, in a reactive, day-to-day fashion."

Mr Garry Goodwin, managing director, puts it differently: "We believed that if the managers already in place saw that they owned the problem, we [illegible] confidence they [illegible] help [illegible] it."

[illegible] truck fleet [illegible] been reduced considerably and deliveries [illegible] now geared to customer needs, as well as the group's production schedules. The communications division was shorn of virtually all staff, computerised, and now con[illegible] pre-tax annual profits [illegible] acquisition of £600,000.

Loss-making product [illegible] were closed, and [illegible] decentralised [illegible] now [illegible] with just [illegible] The workforce [illegible] shrunk by [illegible] 20 per [illegible] (to about 1,000 in total), with those remaining on the shop floor trained in [illegible] different skills. Each individual plant [illegible] a profit [illegible] man[illegible]

The "rag-bag" [illegible] 10 UK [illegible]panies [illegible] been [illegible] three [illegible] divisions: components, polymers, [illegible] vinyls. Operating margins for [illegible] UK [illegible] improved from [illegible] per [illegible] pre-Sullivan [illegible] now. Productivity [illegible] by 10 per cent, [illegible] shopfloor [illegible] packets [illegible] on average 10 per [illegible]

The [illegible] is also expanding internationally, [illegible] acquisitions of French footwear companies. Mr Sullivan is planning more bolt-on purchases and is confident that he can do so without shareholders' help for at least a year or so.

His strategy on acquisitions is unlikely to change. "Companies with problems like Chamberlain Phipps don't respond to massaging of a consultancy nature," says Mr Sullivan. "They need to be refocused. It's [illegible] just [illegible] cutting costs, but re-orienting the company in [illegible] market-place [illegible] it [illegible]"

Tony Andrews

Dan Sullivan: planning more bolt-on purchases

NEWS DIGEST

BCE turns in £0.8m deficit

[illegible] Holdings, the [illegible] and pool products and [illegible] operator, reported [illegible] 31.

The outcome, [illegible] of £3.73m, [illegible] in exceptional charges totalling £203,000, largely comprising [illegible] capital [illegible] on the disposal [illegible] amusement [illegible] in [illegible]

[illegible] also [illegible] provisions [illegible] relating to existing businesses.

Mr John Roberts, appointed chairman towards the end of last year, stressed that the figures were not comparable with the previous year when losses amounted to £56,000 on turnover of £4.27m.

The group is seeking a third leg to its activities. "We have identified computer games software development and publishing as a high growth sector where [illegible] are [illegible] opportunities," Mr Roberts said. [illegible] entered into "preliminary discu[illegible]" with several companies.

Losses per share emerged at 2.9p (0.2p). Following the capital reorganisation, directors intend to declare [illegible] dividend for the current year; the last distribution was in 1989.

Wyefield shows [illegible] advance to £131,000

[illegible] profits at Wyefield Group, the home furnishings [illegible], rose 28 per cent to £131,000 for the six months to end-June, despite [illegible] second quarter.

Turnover [illegible] the USM-quoted [illegible], which changed [illegible] name from Lincoln [illegible] the [illegible] purchase [illegible] this month [illegible] Medallion Upholstery, rose 6 per cent to £4.42m.

Mr David Harland, chairman, said the difficulties in the second quarter were largely due to moving the manufacturing base to a modern factory and installing computerised cost analysis systems. Operating profit was cut from £200,000 to £134,000.

Earnings per share were 0.5p (0.6p).

Net asset value dips at Law Debenture

Law Debenture, the investment [illegible] and corporate trustee, reported a net [illegible] of [illegible] as [illegible] June [illegible]

The value represented a decline [illegible] 10.3 [illegible] since [illegible] company's year-end; the benchmark FT-SE-A All-Share Index fell 13 [illegible] during the same period.

[illegible] preference dividend, [illegible] revenue for the six months amounted to £2.37m (£2.27m), equivalent [illegible] earnings of 10.47p (9.99p) per share. The interim dividend goes up by 0.25p [illegible] 6.75p.

Explaura reduces losses to £2.18m

Explaura Holdings, the USM-quoted operator of a lime[illegible] quarry in Canada, reduced its pre- and post-tax losses from £2.37m to £2.18m in the year to December 31.

The previous outcome took in an exceptional charge of £774,000.

Turnover improved to £1.89m (£1.56m). Losses per share were cut from 1.61p to 1.16p.

The figures reported form part of a 15-month accounting period to March [illegible]

£5.26m acquisition for Dawsongroup

Dawsongroup, [illegible] commercial vehicle rental company, has acquired Morgan Varylease from [illegible] UK for [illegible] together with repayment [illegible] intragroup [illegible]

Pre-tax profits [illegible] Varylease (before [illegible] charges [illegible] to intragroup [illegible] the [illegible] end-December amounted to [illegible] and [illegible] net [illegible]

Beta Global net asset value at 172.5p

[illegible] Global Emerging [illegible] Investment Trust had [illegible] net [illegible] 172.5p [illegible] at June 30, a fall of 18 per cent since end-December.

On a [illegible] basis, however, [illegible] value [illegible] an increase of 31 per cent.

Losses after tax widened to £623,000 [illegible] during the six months, for [illegible] share.

Gold price falls for fifth day in succession

By Kenneth Gooding, Mining Correspondent

Gold prices yesterday fell for the fifth [illegible] day and analysts suggested they might have further to fall before staging a recovery in the final quarter of 1994.

The precious metal tested a critical technical support level – [illegible] troy ounce – but remained just above it at the close in London at [illegible], down [illegible] from Tuesday's close. Gold has slipped by $9.70 an ounce or 2.5 per cent in the past week.

Mr George Milling-Stanley, analyst at Lehman Brothers in New York, suggested the usual northern hemisphere summer "lull" was causing gold's downward drift. He [illegible] gold [illegible] likely to remain under pressure for the rest of August and might fall another $4 or $5 an [illegible]. Nevertheless, for the fourth quarter he forecast gold would trade between $370 and $405 an ounce, compared with an average price of $383 for the first nine months of this year.

He [illegible] some [illegible] on gold was coming from disillusioned US hedge funds, which had expected the metal to go to $400 an ounce. Now they were selling and putting their money elsewhere.

Mr Andy Smith, analyst at the Union Bank of Switzerland, pointed out that gold's $5 fall so far this [illegible] contrasted with the "tramline trading" of recent weeks when the price was often seemed trapped in a $2 range.

He said that there had been a good deal of selling by producers recently, which had been soaked up by some physical demand. And, while speculative funds had helped to drive down the gold price this week, there was another element at work in the market that [illegible] hard to identify. "Something [illegible] going on. It is hard to say what," [illegible].

PNG gold mine stays closed after explosions

By Nikki Tait in Sydney

The 11 people missing following major explosions at the [illegible] Porgera [illegible] mine, in Papua [illegible] Enga province, were [illegible] presumed [illegible].

All [illegible] employees of Dyno Wesfarmers, which operates the explosives facility close to the mine site, where the blasts occurred on Tuesday morning. Five [illegible] and the remainder were PNG nationals.

The [illegible] mine remained [illegible] and all [illegible] milling operations suspended yesterday [illegible] continued. [illegible] yet been [illegible] for [illegible] reopening. The four joint venture partners in [illegible] mine – [illegible] Pacific, [illegible] Goldfields, Highlands Gold, and the PNG government – said there had been "surface damage to sheeting and building claddings of support infrastructure. They added that some accommodation and [illegible] facilities were also damaged.

More [illegible] on [illegible] might [illegible] may be released this morning.

Porgera is one of the world's [illegible] mines, with [illegible] production of over 1m [illegible].

It [illegible] a major [illegible] of the revenue for the Papua New Guinea government: "All I want to say as a government is that we are concerned because it's a major project that is of a [illegible] PNG," [illegible] mented Mr [illegible] yesterday.

News [illegible] the [illegible] the mine's [illegible] all [illegible] corporate partners. Renison's dropped by 15 cents in early trading to A$4.45 while Highlands' were down 5 cents, to A$1.45. Those of Placer Pacific, which manages the mine, suffered worst with a 30 cents drop to A$3.30.

Diplomatic offensive planned to end banana war

Canute James reports on the latest Caribbean move in the dispute over EU imports

One year after the European Union imposed its new banana import regime, its traditional suppliers are to launch a diplomatic offensive aimed at ending continuing criticism from some EU members and Latin American fruit producers who [illegible] the arrangement is unfair.

Caribbean [illegible] plan to visit Europe later this year to argue for their bananas, and will ask friendly Latin American countries to suggest to others that they moderate their criticism of the import regime.

Caribbean leaders meeting in Barbados last month agreed that there was still a threat to the banana regime, and that although some Latin American countries had mended fences with the European Union, the market for fruit from the Caribbean and other members of the African, Caribbean and Pacific group was still in danger from continuing attempts to increase the access for cheaper Latin American "dollar" bananas.

The EU import regime, which became effective in July of last year, allows the union's traditional suppliers in the ACP group access for 30 per cent of Europe's demand for bananas. Imports from Latin America are limited and attract import duties.

ACP producers, mainly those in the Caribbean, have argued that their industry, on which some national economies depend, would be devastated if they were denied these preferences. Latin American producers, who are more price competitive, [illegible] that the import regime contravenes the spirit of free trade.

The region's fears were fuelled by the recent decision of Germany to approach the European Court for a second time to try to end the EU's banana import quotas. Germany has consistently argued that the system is unfair and discriminates against German importers [illegible] consumers. "Germany, the strongest opponent of the EU's banana import regime within the Union, is now the president of the European Council," the Caricom leaders noted.

The EU's import regime has also been challenged in the General Agreement on Tariffs and Trade, with a panel determining that it is discriminatory. The panel's report, however, has not been adopted, and the Caribbean producers are keen that it should not be.

The Caribbean leaders' conclusion that there is a need for increased efforts to resolve the matter was influenced by what they saw as "continuing pressure" by some Latin producers and some "friendly" countries such as the US, Mexico, Canada, Japan and Australia to have the second panel report adopted.

A key part of the planned diplomatic battle is to get these countries to relent in their pressure to have the Gatt panel's findings adopted. The ACP producers will also try to enlist the support of Costa Rica, Colombia, Venezuela and Nicaragua in persuading other Latin exporters to seek a negotiated solution with the EU.

The ACP producers [illegible] been buoyed, none the less, by compromises reached between the EU and four Latin American countries – Costa Rica, Colombia, Nicaragua and Venezuela – "and the confirmation to maintain the overall quota limit and allocations by the EU with reductions of the in-quota duty from Ecu100 [£78.60] to Ecu75 a tonne and the advanced application from 1994 to 1995," the Caribbean leaders said after their meeting.

In March, Costa Rica, Colombia, Nicaragua and Venezuela accepted the EU's increased quota offer, and agreed to drop their complaint to the Gatt over the import regime.

Under the agreement, the EU will increase the annual quota for Latin American bananas from 2m tonnes to 2.1m tonnes this year, and to 2.2m tonnes next year. Costa Rica's quota is 23.4 per cent, Colombia's 21 per cent, Nicaragua's 3 per cent and Venezuela's 2 per cent. Ecuador, Guatemala Honduras and Panama will share 46.3 per cent, with the Dominican Republic getting the remaining 4.3 per cent.

The mission led by the prime ministers, which is expected to visit Europe in late September and early October, "will seek discussions with the states of the Troika (France, Germany and [illegible] and [illegible] United Kingdom, the president of [illegible] Commission and the president of the European parliament," the Caribbean leaders agreed.

One technical issue that the Caribbean leaders will want [illegible] when they visit Europe is the transfer of quotas among ACP exporters. [illegible] with higher than normal production have not been able to use the quota for others who may have suffered a shortfall.

"Transferability of quotas has been allowed for the Latin producers and the ACP has had undertakings that this will be done for them," says an official of the Caribbean Community secretariat. "We would like to see this implemented."

They will also raise the delicate matter of financial assistance to banana producers affected by the imposition of the EU's import regime. The UK originally objected to this aspect of the plan, which proposes a fund of Ecu60m a year over three years to cover loss of income and to aid agricultural diversification. But it subsequently withdrew its objection.

MARKET REPORT

Coffee futures see-saw

COFFEE traders at the London Commodity Exchange said supply [illegible] Brazilian meteorology institute forecast of frost today in Paraña state helped keep [illegible] mostly [illegible] a day when [illegible] see-sawed in a $99 range.

The November delivery position ended the day $18 lower at $3,555 a tonne after reaching a high of $3,625 and touching a low of $3,533.

COCOA futures slid in [illegible] trade on a wave of speculative selling encouraged by technical factors. The December position [illegible] £24 [illegible] at £1,072 a [illegible].

London Metal Exchange contracts were generally lower at the close, [illegible] a wide-ranging and volatile COPPER [illegible] continued to pull the strings.

The three months copper price almost hit both ends of the current $50 trading range, before closing at $2,415 a tonne, $6 below Tuesday's kerb close.

ALUMINIUM was a partial exception to the general trend, as [illegible] speculative buying lifted [illegible] three months price to a close of $1,472 a tonne, up $3 on the day. However, the market mostly reacted to copper's movements, and was still some way off hitting a $1,485 upside target, traders said.

LEAD [illegible] slightly from mid-afternoon lows, but remained [illegible] falling conclusively [illegible] $600 a tonne when stop-loss selling [illegible] triggered.

Compiled from Reuter

Kenyan tea output down by 20%

Output of Kenyan tea, the country's main commodity export, fell by about a fifth in the first half of 1994 compared with the same period in the previous year, a leading brokerage firm said yesterday, reports Reuters from Nairobi.

African Tea Brokers said the crop figure for June was posted at 16.12m kg, a decline of 929,766 kg from June 1993.

"The cumulative figure now stands at 91.58m kg, a fall of 21.85m kg over last year," ATB said. The firm is based in Mombasa, where east Africa's weekly tea export auctions are held.

Temperatures in Kenya's tea growing areas had been low with intermittent rain, farmers in growing areas said. Growth had been restricted and crop [illegible] were generally at a [illegible] low.

"West of the Rift [Valley], Kericho has been cold and fairly dry apart from some rain towards the end of July. Leaf intake has shown a slight decline," said one farmer at Kericho, a key growing belt 300 km north-west of Nairobi.

"In Nandi conditions remain wet with cold early morning temperatures. Slight hail has had no effect on crops with levels now rising," he added.

"Areas east of the Rift have experienced cold mornings with sunny intervals in the afternoons and well distributed showers. Crop intake is maintained."

Britain and Pakistan were the main buyers of Kenyan tea in June, while Egypt bought lower grades. Sudan, [illegible] America and South Africa also [illegible] their buying, ATB [illegible].

The firm said there was continued good demand for all Malawian primary grades, with prices firm to dearer.

"Night temperatures there were cold with patches of early morning fog and leaf intake continued to decline," ATB said. Malawi produced 27.15m kg of tea in the January-June period of 1994 compared with 26.73m kg in same period a year earlier.

ATB put Uganda's tea output in January-March at 2.7m kg, up from 2.5m kg the first three months of 1993, and Tanzania's at 7.1m kg, unchanged from January-March last year. In Zimbabwe 6.7m kg was produced in the first three months, compared with 5.3m kg last year, the firm said.

Togolese cocoa growers get big price increase

Togo [illegible] producer price for top grade cocoa to CFA Fr550 ($1.02) a kilogram from CFR Fr300, an 83 per cent rise, according to a government decree published in the official daily Togo-Presse, reports Reuter from Lomé.

Lower grade cocoa would be bought at a substantial discount, Tuesday's edition of the paper added. Farmers would be paid only CFA Fr175 a kilogram for grade one cocoa and CFA Fr150 for grade two, it said.

The farmer price was raised to CFA Fr300 a kilogram from CFA Fr225 soon after last January's 50 per cent devaluation of the CFA franc.

The latest rise for superior grade cocoa was in response to the sharp increase in the cost of living since then, the paper said.

Analysts said Togo's annual [apparent] cocoa output had fallen to about 4,000 tonnes from over 10,000 tonnes in the late 1980s, mainly because less was being smuggled in from Ghana.

The decree said the 1993-94 Togolese cocoa marketing season would close on September 30.

● At the London Commodity Exchange yesterday the second position cocoa futures price closed at £1,072 a tonne, equivalent to about $1.64 a kilogram, up about £140 since the beginning of this year and £300 from 12 months ago.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	[illegible]
Close	1435-6	1463-4
Previous	1441.5-2.5	1470-1
High/low		1475/1463
AM Official	1442-2.5	1470.5-1.0
Kerb close		1474-5
Open int.	286,670	
Total daily turnover	39,698	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1455-65	1481-3
Previous	1465-80	1485-90
High/low		
AM Official	1460-5	1480-90
Kerb close		1485-90
Open int.	2,851	
Total daily turnover	871	

■ LEAD ($ per tonne)

Close	576-7	593-4
Previous	582-3	599-600
High/low	583.5/582.5	606/592
AM Official	583-3.5	600-0.5
Kerb close		595-6
Open int.	40,659	
Total daily turnover	9,604	

■ NICKEL ($ per tonne)

Close	[illegible]	6150-60
Previous	[illegible]	6190-5
High/low	6065	6210/6135
AM Official	6065-70	6155-60
Kerb close		6190-200
Open int.	57,457	
Total daily turnover	10,543	

■ TIN ($ [illegible])

Close	5005-10	5060-65
Previous	5110-20	5185-90
High/low		5215/5065
AM Official	5040-45	5115-20
Kerb close		5075-80
Open int.	18,119	
Total daily turnover	5,658	

■ ZINC, special high grade ($ per tonne)

Close	937.5-8.5	960-1
Previous	944-5	967-8
High/low		975/960
AM Official	942-3	964.5-5.0
Kerb close		961-2
Open int.	103,516	
Total daily turnover	14,586	

■ COPPER, grade A ($ per tonne)

Close	2404-5	2413-4
Previous	2407-8	2415-6
High/low	2425	2455/2410
AM Official	2424-5	2435-6
Kerb close		2414-5
Open int.	235,679	
Total daily turnover	[illegible]	

■ LME AM Official £/$ rate: 1.5380

LME Closing £/$ rate: 1.5385

Spot: 1.5385 3 mths: 1.5370 6 mths: 1.5344 9 mths: 1.5304

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int.	Vol
Aug	106.05	-3.60	109.10	105.90	535	214
Sep	106.65	-3.50	109.75	109.50	29,518	9,097
Oct	106.80	-3.35	-	-	440	55
[illegible]	107.00	-3.20	-	-	327	5
[illegible]	107.25	-2.95	110.10	107.00	11,226	1,580
Jan	107.10	[illegible]	-	-	341	-
Total					49,[illegible]	11,076

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	378.50-378.90	
Opening	378.00-378.40	
Morning fix	378.60	246.452
Afternoon fix	378.45	246.130
Day's High	378.90-379.30	
Day's Low	378.00-378.40	
Previous close	380.20-380.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.93 6 months 4.42

2 months ....4.02 12 months 4.82

3 months 4.12

Silver Fix	p/troy oz.	US cts equiv.
Spot	339.45	521.25
3 months	343.90	527.10
6 months	348.85	533.95
1 year	361.15	549.95

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	250-253
Maple Leaf	389.05-391.55	-
New Sovereign	89-91	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
[illegible]	[illegible]	-1.1	378.7	378.8	1,418	878
Sep	379.7	-	-	-	-	-
Oct	380.1	-1.2	[illegible]	[illegible]	10,576	1,980
Dec	383.1	-1.3	384.4	[illegible]	[illegible]	[illegible]
Feb	[illegible]	-1.3	[illegible]	[illegible]	[illegible]	46
Apr	[illegible]	-1.3	[illegible]	[illegible]	[illegible]	[illegible]
Total					145,[illegible]	55,[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	[illegible]	[illegible]	419.0	[illegible]	23,205	[illegible]
Jan	[illegible]	-7.4	420.5	[illegible]	[illegible]	61
[illegible]	417.2	-7.4	420.0	[illegible]	[illegible]	34
Jul	[illegible]	-7.4	-	-	1	-
Oct	425.2	-7.4	430.0	430.0	1	-
Total					27,457	6,446

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	592
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	-1.25	-	-	164	20
Total					[illegible]	843

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]	517.0	-2.2	-	-	1	2
[illegible]	518.2	-2.3	524.8	517.0	75,891	25,940
Dec	[illegible]	[illegible]	[illegible]	525.0	[illegible]	[illegible]
[illegible]	526.9	-2.3	-	-	33	-
[illegible]	532.9	-2.3	[illegible]	[illegible]	[illegible]	41
May	[illegible]	-2.3	-	-	[illegible]	4
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int.	Vol
Sep	[illegible]	+0.16	[illegible]	[illegible]	[illegible]	43,734
Oct	[illegible]	+0.16	[illegible]	[illegible]	[illegible]	19,737
[illegible]	[illegible]	[illegible]	19.65	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	+0.20	[illegible]	[illegible]	47,509	[illegible]
[illegible]	[illegible]	+0.16	[illegible]	19.10	[illegible]	[illegible]
Feb	19.10	+0.16	[illegible]	19.03	[illegible]	1,735
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int.	Vol
Sep	16.76	+0.25	16.80	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	18.23	38,369	12,976
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	18.07	+0.10	[illegible]	[illegible]	15,124	[illegible]
Jan	17.93	+0.09	[illegible]	[illegible]	6,745	[illegible]
Feb	[illegible]	+0.21	17.82	[illegible]	[illegible]	[illegible]
Total					100,405	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int.	Vol
[illegible]	53.50	+0.48	53.70	53.00	40,256	14,133
Oct	54.25	[illegible]	[illegible]	53.65	18,463	[illegible]
[illegible]	[illegible]	[illegible]	55.15	54.65	[illegible]	1,414
Dec	[illegible]	[illegible]	55.90	55.55	23,029	[illegible]
Jan	56.25	+0.40	56.25	55.60	14,846	[illegible]
Feb	56.10	+0.35	[illegible]	[illegible]	[illegible]	[illegible]
Total					134,446	24,997

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int.	Vol
Aug	162.00	-	163.00	161.50	19,086	2,607
[illegible]	[illegible]	+0.50	166.00	164.0	22,308	[illegible]
[illegible]	[illegible]	+0.75	168.50	166.75	16,164	[illegible]
Nov	170.00	[illegible]	170.00	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	171.50	[illegible]	[illegible]	309
Jan	[illegible]	[illegible]	172.50	171.25	8,873	[illegible]
Total					102,841	8,913

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int.	Vol
[illegible]	[illegible]	[illegible]	1.816	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	1.909	[illegible]	13,837	2,594
Nov	[illegible]	-0.041	[illegible]	[illegible]	10,475	[illegible]
Dec	[illegible]	[illegible]	2.191	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	2.170	[illegible]	[illegible]
Feb	2.110	-0.022	[illegible]	2.105	[illegible]	[illegible]
Total					128,[illegible]	23,725

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int.	Vol
Sep	60.75	+0.82	60.90	59.79	47,187	16,073
Oct	57.30	+0.51	57.40	56.80	14,048	7,186
Nov	54.50	+0.36	54.55	54.15	9,896	1,634
[illegible]	59.30	+0.15	[illegible]	[illegible]	[illegible]	458
Jan	58.00	-0.05	58.10	[illegible]	[illegible]	16
Feb	[illegible]	[illegible]	57.75	[illegible]	[illegible]	[illegible]
[illegible]					81,321	27,436

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int.	Vol
Sep	104.50	+0.70	104.50	104.00	390	48
Nov	105.25	+0.85	105.25	104.40	2,282	153
[illegible]	107.25	[illegible]	107.25	106.45	1,648	80
Mar	[illegible]	[illegible]	109.00	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	112.60	-	-	-	140	-
Total					5,[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Sep	[illegible]	[illegible]	[illegible]	338/0	16,191	[illegible]
Dec	[illegible]	[illegible]	[illegible]	347/0	[illegible]	6,969
Mar	[illegible]	-1/4	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	-0/2	347/4	344/0	493	[illegible]
Jul	332/4	+0/6	333/0	331/0	1,[illegible]	118
Dec	340/4	+0/6	-	-	2	-
Total					69,[illegible]	11,[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Sep	215/2	-2/4	218/4	[illegible]	[illegible]	[illegible]
Dec	219/0	-3/0	[illegible]	219/0	122,[illegible]	13,041
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	23[illegible]/0	[illegible]	236/0	[illegible]	9,394	[illegible]
[illegible]	23[illegible]/4	[illegible]	241/0	[illegible]	8,091	[illegible]
[illegible]	[illegible]	-1/0	241/0	[illegible]	600	7
Total					214,[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]	103.10	[illegible]	[illegible]	[illegible]	93	8
Nov	104.15	[illegible]	104.05	104.00	483	32
Jan	[illegible]	+0.15	[illegible]	105.70	40	4
Mar	[illegible]	-0.10	[illegible]	107.50	10	14
May	[illegible]	-	-	-	1	-
Total					[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]	577/4	-8/0	[illegible]	571/0	16,323	[illegible]
[illegible]	566/4	[illegible]	[illegible]	560/4	14,571	4,217
Nov	[illegible]	-8/4	584/0	561/0	70,839	22,020
Jan	567/2	-	571/0	580/0	10,770	847
Mar	576/0	+0/4	579/0	586/0	3,925	[illegible]
May	583/4	+0/4	588/0	577/0	3,467	196
Total					122,384	33,632

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Aug	23.65	-0.05	23.96	23.68	[illegible]	[illegible]
Sep	23.54	-0.02	23.96	23.50	[illegible]	[illegible]
Oct	23.64	-0.03	23.75	23.42	[illegible]	1,[illegible]
Dec	23.43	[illegible]	23.60	[illegible]	[illegible]	[illegible]
Jan	23.45	-	23.55	23.28	4,185	285
Mar	23.41	[illegible]	[illegible]	23.20	4,248	751
Total					[illegible]	10,[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Aug	175.5	[illegible]	[illegible]	173.8	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	175.2	[illegible]	[illegible]	[illegible]
Oct	172.9	[illegible]	173.9	171.2	[illegible]	992
Dec	[illegible]	[illegible]	174.3	171.9	30,373	3,994
Jan	[illegible]	[illegible]	175.0	172.1	3,050	209
Mar	[illegible]	-0.1	178.5	[illegible]	[illegible]	[illegible]
Total					82,171	11,116

■ POTATOES LCE ([illegible])

Nov	[illegible]	-	-	-	-	-
Mar	[illegible]	-	-	-	-	-
Apr	[illegible]	+7.0	[illegible]	180.0	[illegible]	287
May	235.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Aug	1482	+32	1482	1465	789	135
Sep	1442	+12	1445	1440	382	123
Oct	1443	+7	1445	1440	[illegible]	32
Jan	1458	+11	1455	1450	275	8
Apr	1465	+22	1470	1470	182	1
Jul	1300	+45	-	-	80	-
Total					2,[illegible]	300

	Close	Prev
BFI	1482	144[illegible]

Cotton

LIVERPOOL- Spot and shipment sales amounted to 290 tonnes for the week ended 29 July against 75 tonnes in the previous week. Improved demand brought moderate purchases mainly in American type descriptions. Israeli and Central Asian growths made some headway.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int.	Vol
[illegible]	1054	-34	1080	1046	18,137	2,176
[illegible]	1072	-34	1110	1070	28,542	2,163
Mar	1093	-32	1127	1091	[illegible]	[illegible]
May	1103	-32	1135	1105	10,[illegible]	49
Jul	1116	-18	1140	1115	[illegible]	61
Sep	1133	-18	1167	1124	[illegible]	130
Total					[illegible]	5,234

■ COCOA CSCE (10 tonnes; $/tonnes)

Sep	1419	-44	[illegible]	1405	32,[illegible]	3,[illegible]
Dec	1465	-41	1517	1464	22,[illegible]	2,349
Mar	1504	-41	1552	[illegible]	[illegible]	516
May	1525	[illegible]	-	-	2,918	[illegible]
[illegible]	1545	-41	1595	1580	2,345	5
[illegible]	1566	-41	1611	1600	1,082	135
Total					72,[illegible]	6,[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Aug 2	Price	Prev. day
Daily	1066.57	1109.64

■ COFFEE LCE ($/tonne)

[illegible]	3618	-8	3680	3543	16,768	1,384
[illegible]	3550	-17	3625	3526	8,139	1,777
Jan	3555	[illegible]	[illegible]	3504	9,160	[illegible]
Mar	[illegible]	-15	[illegible]	3475	[illegible]	346
May	[illegible]	[illegible]	3525	3474	916	65
Jul	3440	-20	3500	3500	16	10
Total					30,[illegible]	4,132

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]	210.30	-3.10	214.50	209.00	17,733	4,[illegible]
Dec	214.05	-3.35	218.60	213.00	13,082	2,349
[illegible]	217.10	-3.15	220.[illegible]	216.50	5,333	[illegible]
[illegible]	218.00	-3.40	221.[illegible]	218.30	1,725	[illegible]
Jul	219.00	-3.40	-	-	260	21
[illegible]	220.00	-3.40	-	-	43	-
[illegible]					38,194	[illegible]

■ [illegible] (ICO) ([illegible])

Aug 2	Price	Prev. day
Comp. daily	191.05	189.92
15 day average	196.06	197.48

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Oct	[illegible]	[illegible]	-	-	1,[illegible]	-
Jan	11.52	-	-	-	-	-
Mar	11.75	+0.07	-	-	90	-
Total					1,095	-

■ WHITE SUGAR LCE ($/tonne)

Oct	310.90	[illegible]	311.40	[illegible]	10,982	482
Dec	309.50	+0.80	309.50	308.80	[illegible]	[illegible]
Mar	310.30	+1.00	310.00	309.00	[illegible]	74
[illegible]	310.00	[illegible]	-	-	376	-
Aug	309.00	[illegible]	-	-	394	-
Oct	297.00	+1.00	-	-	165	-
Total					17,320	647

■ SUGAR '11' CSCE ([illegible]; cents/lbs)

Oct	[illegible]	+0.08	11.83	11.45	63,722	14,572
[illegible]	11.57	[illegible]	[illegible]	11.54	32,448	4,517
[illegible]	11.54	[illegible]	[illegible]	11.50	7,495	[illegible]
Jul	11.46	+0.04	11.53	11.48	[illegible]	247
Oct	11.36	[illegible]	[illegible]	11.37	[illegible]	213
Mar	11.23	+0.08	11.25	11.25	210	-
Total					[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

Aug	[illegible]	[illegible]	-	-	1	-
Oct	70.45	+0.15	70.71	70.20	6,[illegible]	806
Dec	69.92	-0.08	70.25	69.75	27,246	3,077
Mar	71.27	-0.13	71.50	71.20	7,280	592
[illegible]	72.10	-0.10	72.25	[illegible]	[illegible]	[illegible]
[illegible]	72.85	+0.15	73.00	73.00	[illegible]	134
Total					[illegible]	5,541

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Sep	97.40	[illegible]	[illegible]	96.90	12,648	[illegible]
Nov	100.70	+0.20	102.75	100.00	3,198	208
Jan	104.20	+0.40	105.90	103.50	3,767	78
Mar	107.05	+0.65	108.10	107.00	2,457	[illegible]
May	110.05	+0.05	110.60	110.00	812	[illegible]
Jul	112.65	+0.10	112.90	112.00	220	10
Total					23,[illegible]	[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 3	Aug 2	month ago	year ago
2098.4	2098.4	2088.8	1651.4

■ CRB Futures (Base: 4/8/56=100)

Aug 2	Aug 1	month ago	year ago
233.16	234.30	226.73	223.27

MEAT AND [illegible]

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int.	Vol
Aug	70.825	-0.300	71.050	70.625	10,852	9,058
[illegible]	73.325	-0.025	73.475	72.850	28,323	9,546
Dec	71.500	-0.050	71.725	71.300	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,327
Apr	71.480	[illegible]	71.650	71.400	4,557	466
Jun	69.000	-0.150	69.050	68.650	1,256	30
Total					75,[illegible]	24,2[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Aug	45.350	[illegible]	45.775	45.300	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,000
Dec	[illegible]	-0.075	41.250	40.350	[illegible]	[illegible]
Feb	40.150	-0.175	40.500	40.100	[illegible]	[illegible]
Apr	39.480	-0.100	39.750	39.400	1,071	131
Jun	44.200	-0.250	44.350	44.200	430	4
Total					[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]	27.025	+0.425	[illegible]	[illegible]	[illegible]	[illegible]
Feb	42.850	+0.050	43.800	42.250	[illegible]	[illegible]
Mar	42.300	-0.100	43.[illegible]	42.250	[illegible]	[illegible]
May	43.050	-0.100	-	[illegible]	[illegible]	1
Jul	44.000	-0.200	44.250	44.000	47	[illegible]
Aug	43.150	-0.200	43.150	[illegible]	8	2
Total					[illegible]	1,073

LONDON TRADED OPTIONS

Strike price $ [illegible] ——— Calls ——— ——— Puts ———

■ ALUMINIUM (99.7%) LME	[illegible]	[illegible]	[illegible]	Dec
1425	57	[illegible]	20	43
1450	[illegible]	88	[illegible]	58
1475	30	75	48	64
■ COPPER (Grade A) LME	[illegible]	Dec	[illegible]	[illegible]
2400	67	[illegible]	[illegible]	100
2450	44	81	60	127
2500	26	69	113	158
■ COFFEE LCE	Sep	[illegible]	[illegible]	[illegible]
3600	[illegible]	[illegible]	128	444
3650	[illegible]	[illegible]	[illegible]	476
3700	[illegible]	[illegible]	[illegible]	510
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	62	117	6	46
1050	29	89	25	67
1100	8	67	57	95
■ BRENT CRUDE IPE	[illegible]	Oct	[illegible]	Oct
1800	78	-	13	-
1850	63	60	27	87
1900	32	60	63	116

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep) [illegible]

Dubai	[illegible]	[illegible]
[illegible] Blend [illegible]	$18.40-8.42	-0.05
[illegible] Blend [illegible]	$18.60-8.62	
W.T.I. (1pm est)	$20.20-2.21w	-0.025

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	[illegible]	+6
Gas Oil	[illegible]	[illegible]
Heavy Fuel Oil	$99-100	-0.5
Naphtha	[illegible]	+1
[illegible]	$177-179	[illegible]

Petroleum Argus Estimates

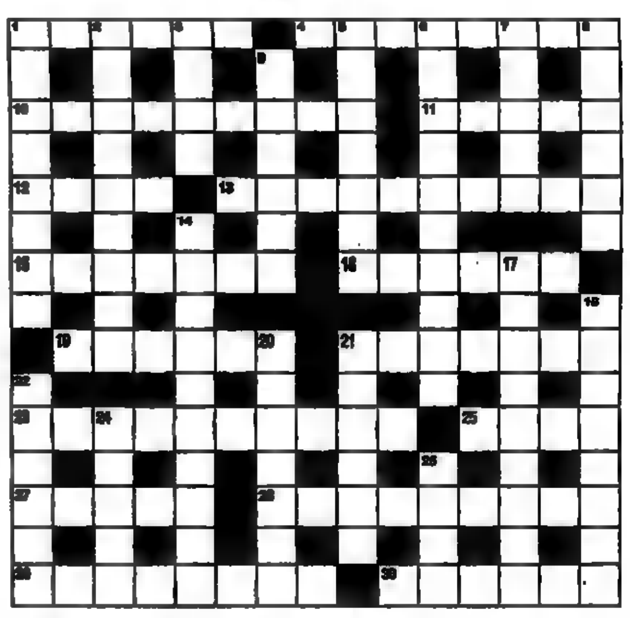
■ OTHER

Gold (per troy oz)♣	[illegible]	-1.75
Silver (per troy oz)♣	[illegible]	+0.5
Platinum (per troy oz.)	[illegible]	[illegible]
Palladium (per troy oz.)	$153.75	[illegible]
Copper (US prod.)	114.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.22m	-0.09
Tin (New York)	238.50c	
Cattle (live weight)†©	117.39p	+1.52*
Sheep (live weight)†♠©	92.65p	+7.16*
Pigs (live weight)©	69.59p	+0.14*
Lon. day sugar (raw)	$293.50	-4.90
Lon. day sugar (wte)	$336.50	-8.00
Tate & Lyle export	£303.00	-3.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$142.0	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	87.0p	-2.0
Rubber (Oct)♥	86.0p	-2.0
Rubber KL RSS No1 Aug	321.5m	-14.0
[illegible] Oil (Phil)§	$577.5z	-7.5
Palm Oil (Malay.)§	$535.0w	+15
Copra (Phil)§	$382.0	
Soyabeans (US)	£175.0w	
Cotton Outlook 'A' Index	77.95c	+0.10
Woollops (64s Super)	449p	

£ per tonne unless [illegible]wise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec. z Aug/Sep. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

CROSSWORD

No. 8,523 Set by GRIFFIN



ACROSS

1 Where criminal's put fan? (6)

4 Runs round holidaymaker in Sunday School (8)

10 Where meandering stream reaches embankment (9)

11 Sinners, [illegible] saints, will [illegible] shot (5)

12 Tempting food for swimmers? (4)

13 What witch needs is sweepers on credit! [illegible]

15 Got to looking embarrassed about pain (7)

16 Finding [illegible] duck missing scold bully [illegible]

19 Begins destroying living things (6)

21 Verify having to swindle company [illegible]

[illegible] Welsh people enjoy it so I'd fed Ted stew! (10)

25 Lean against a boat coming back (4)

27 Sheet left on board [illegible]

28 Tottering uncle [illegible] to get pen (9)

29 Trouble groom to go outside first (8)

30 With speed off she swims (6)

DOWN

1 They do for decoration in rooms (8)

2 Persistent old boy in swivelling seat can (9)

3 First woman to name square [illegible]

[illegible] First man in firm to mail fertiliser! (7)

6 Watch part of pipe going to vault (10)

[illegible] For some men nuisance relieves boredom (5)

[illegible] Around weekend tr[illegible] new form of protest (6)

9 Cooked roe dad loved (6)

14 Happen to turn up as cabinet minister (10)

17 Lab in terrible hurry to produce a cleaner (9)

18 Overwhelms [illegible] ones after writing back (8)

20 Melancholy now nurse is back on board (7)

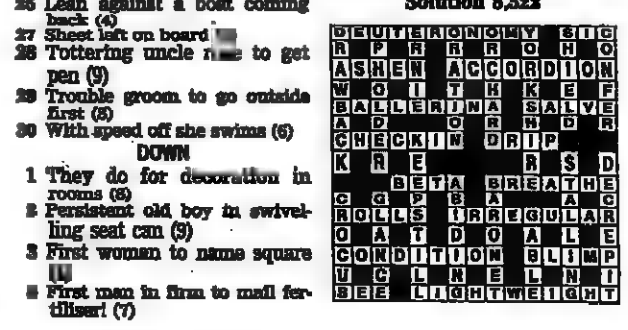
21 Excellent [illegible] fellows disposed of (6)

[illegible] Took [illegible] half inside, relieved [illegible]

24 Boy's weight in numbers (5)

26 Rubbish on a duty list (4)

Solution 8,522



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Share gains consolidated in modest turnover

By Terry Byland, UK Stock Market Editor

The stock market consolidated its gains yesterday as closer reading of the Bank of England's Quarterly Bulletin reinforced confidence that the threatened rise in domestic base rates will not happen before next month, at the earliest. Disappointment with a sluggish lead from Wall Street kept London subdued in the second half of the session and share prices ended with only narrow changes from the previous day.

The FT-SE 100 Index showed a gain of 2.9 at 3,160.4 at the close of trading, but had moved through a range of 17 points during the day as traders tidied up their books in the wake of Tuesday's strong advance. In early deals, the Footsie was down 8.8 points and then up 8.7 points before the market settled down. Dealers commented that many securities houses had been caught wrong-footed, first by Friday's sudden base rate worries and then by yesterday's strong rise in the equity market.

Trading opened to a burst of excitement in the supermarkets sector when Tesco effectively captured William Low, the Scottish food retailer, with a knockout cash bid of 360p a share, valuing the group at a total of £248m. Within half an hour, J. Sainsbury had ceded defeat, saying that it would not increase its previous 305p a share offer for Low, and thereby surprising many market specialists and investors who had convinced themselves that Sainsbury would go much higher – as high as 450p a share, according to some sources.

Market confidence also took on board without difficulty the rumour that Commercial Union might this morning announce the big rights issue which has been widely predicted as part of the financing for the acquisition of Victoire, the insurance arm of Compagnie de Suez, of France. Traders said that only the timing of such a move by Commercial Union could surprise the stock market.

Trading volume was moderate, with 710.3m shares moving through the Seaq electronic network, compared with 810.3m on Wednesday, when retail business in equities rose to a worth of £1.51bn, reflecting the increasing signs of economic recovery and the fading of market fears that a base rate increase was imminent.

Stock index futures trading again played a role in leading the underlying equity market yesterday. But there were clear signs that investors were turning their attention to the second line stocks which had been left behind when the blue chips raced ahead in the previous session.

The FT-SE Mid 250 Index advanced 16.2 yesterday to finish at 3,689.6, although trading in these non-Footsie stocks made up only about 51 per cent of the day's total volume – below average daily percentages.

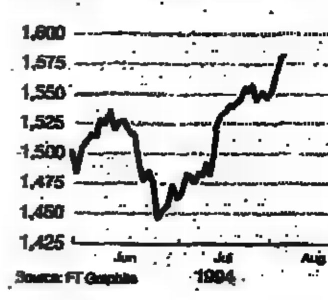
US dollar stocks were generally firmer, but failed to extend early gains when the Dow Industrial Average performed disappointingly in the new session, showing a fall of 12 points as the London market closed. Oil shares gave back a few pence of their recent gains as investors began to question the longer term outlook for crude oil prices.

Once again, there were buyers for UK construction stocks with interests in Europe, encouraged by the increase in industrial output in Germany announced on the previous day.

With the exception of the excitement among the food retailers, consumer and retail stocks had a fairly calm session. The uncertainty over near term base rate prospects which began towards the end of last week when the Bank of England accepted unexpectedly high bids for Treasury bills appeared to have died away.

Some insurance stocks moved nervously after market hints that Commercial Union planned to bring forward its interim statement from next week to today, but trading volumes were modest.

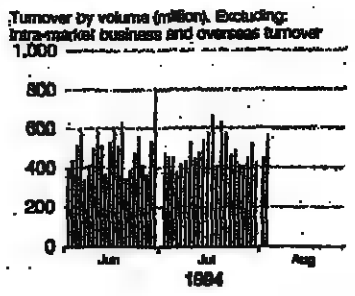
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3160.4	+2.9	FT Ordinary Index	2463.4	+9.4
FT-SE Mid 250	3689.6	+16.2	FT-SE-A Non Fins [illegible]	19.86	(19.81)
FT-SE-A 350	1592.6	+2.7	FT-SE 100 Fut Sep	3175.0	-8.0
FT-SE-A All-Share	1579.21	+2.92	10 yr Gilt yield	8.41	(8.39)
FT-SE-A All-Share yield	3.77	(3.77)	Long gilt/equity yld ratio:	2.26	(2.27)

Best performing sectors

1 Electricity +2.5
2 Pharmaceuticals +1.3
3 Utilities +1.0
4 Health Care +0.9
5 Household Goods +0.9

Worst performing sectors

1 Oil, Integrated -1.2
2 Mineral Extraction -1.0
3 Merchant Banks -0.7
4 Retailers, Food -0.5
5 Banks -0.4

Bid talk returns to Wellcome

Shock news of an unsolicited bid in the pharmaceuticals sector sent shares in several leading UK groups, particularly Wellcome, up sharply as investors scouted around for the next candidate.

The $8.5bn bid from US drugs group American Home Products for American Cyanamid is the first unsolicited takeover attempt since Roche launched an attack on Sterling six years ago. It reminded pharmaceuticals analysts of a piece of research produced by Wertheim Schroder just over a month ago. In that research Dr Jonathan Gelles suggested that Wellcome was a candidate for takeover or merger and in that event would be worth around 900p a share.

Dr Gelles reiterated his belief yesterday: "I do not think by any means that 900p is an outrageous figure. I believe we will see at least $40bn of mergers in the industry in the next six to 18 months."

Wellcome shares, which were still benefiting from rejection of a rival's product by the US Food and Drug Administration a few days ago, jumped 17 to 676p. Also, Zeneca, which currently has a share value of just above £7bn, strengthened 13 to 771p.

Low in demand

J. Sainsbury's refusal to respond to the much-anticipated increased offer by Tesco for Scottish retailer William Low led to some investors getting caught short.

Tesco's new bid of 360p a share, trumping Sainsbury's 305p offer, was announced before the market opened, and as the session got under way one US investment house was said to be predicting a rapid Sainsbury response in excess of 400p a share.

The broker was not alone, and the Low stock price immediately surged from the opening of 336p, passing the new Tesco offer price, to 368p within minutes – before halting abruptly as a stunned market heard the news shortly before 9am that Sainsbury was pulling out of the fray.

The shares eventually ended a hectic session 23 ahead at 359p after record turnover of 14m. Dealers said that much of the buying had been undertaken by one of the big US brokers which was aiming to convert into Tesco, which was offering a share alternative to the cash offer, at a profitable price.

Turnover in Tesco hit 19m as some investors worried over the effect of the deal on short-term earnings and the shares dipped 5¼ to 237½p. Sainsbury was steady at 419p.

The speed of Sainsbury's withdrawal prompted some food analysts to question whether Tesco had come back at too high a price. However, the consensus was that both companies had emerged from the battle for Low with credibility intact: Tesco for paying a reasonable if full price, and Sainsbury for not becoming further embroiled in a damaging bidding war.

CU call hint

Insurer Commercial Union sparked increasing tension in the market as the deadline for the group's long awaited cash-raising issue became a matter of ever closer scrutiny.

CU is scheduled to report figures on August 10 and is expected to announce the details of its £1.46bn acquisition of Groupe Victoire the insurance arm of Compagnie de Suez. CU needs to acquire £500m of new equity, some two-thirds of which is expected to be raised through the market.

It is believed CU will bring its figures forward to pre-empt its rivals in the sector – General Accident is the first to report on August 9. Mr Roman Cizdyn of Smith New Court said: "Any horrible surprises from the other composites could spoil the ground."

CU was up 11 at 550p yesterday, although General Accident fell 10 to 594p as investors wanting to maintain their sector weightings sold stock elsewhere in preparation to take advantage of the CU cash call.

The regional electricity companies (recs) powered ahead as strong rumours swept the market that next week's regulatory review would turn out highly favourable for the industry. The speculation suggested that Offer, the industry watchdog, would deliver a downward price rebasing of 14 per cent – against market fears of 20 per cent – and an annual price increase of two points below the rate of inflation, against worries of a figure of RPI minus four. Mr Andrew Wheeler at NatWest Securities said: "While not subscribing to these rumours, if true, the sector represents outrageously good value."

Among the recs, Northern closed 16 ahead at 705p, East Midlands 23 up at 658p and South West 18 higher at 656p. Meanwhile, PowerGen announced it was buying in 2.5m of its own shares at 527p apiece. The stock shot forward on the news, adding 25½ at 545½p. PowerGen has shareholder approval to buy in a further 75m shares.

Shares in British Airways advanced 9 to 430p after the airline reported an 8.1 per cent year-on-year increase in traffic figures for the month of July.

Nervous trading ahead of the figures held the stock back from fully participating in Tuesday's strong advance in the market. The figures for June beat market expectations, but those for April and May were a disappointment.

There was strong demand for conglomerate Tomkins as the market came to the view that the stock had been left behind. The shares advanced 8 to 283½p in trade of 5.9m. Williams Holdings eased 5 to 372p as some dealers switched out of the stock and into Tomkins.

Engineering group Glynwed International closed 3 firmer at 385p ahead of today's interim figures.

Oil leaders were weak on profit-taking, particularly in the US, and a dull oil price. Those two factors managed to offset a tentative buy note on British Petroleum from Mr John Toalster of SGST. The long-time bear moved from hold to undervalued and upgraded his 1994 replacememnt cost forecast to £1.48bn from £1.4bn. BP dropped 8 to 410½ and Shell Transport slipped 6 to 740p.

Advertising agency Saatchi & Saatchi surged 9½ to 159p after winning the Qantas airlines and Compaq computer accounts, which are expected to bring billings of more than £60m. The news comes ahead of figures on Tuesday which are expected to show full-year profits of about £13.3m.

Paper and packaging group Jefferson Smurfit jumped 18 to 398p after acquiring the paper interests of French glassmaker St Gobain for I£683.8m.

MARKET REPORTERS:
Peter John, Joel Kibazo, Christopher Price, Saqib Qureshi.

■ Other statistics, Page 16

NEW HIGHS AND LOWS FOR 1994

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had a dull but volatile session as the market paused for breath following Tuesday's strong showing, *writes Joel Kibazo.*

The first trade in the September contract on the FT-SE 100 was struck at 3,177, some 6 points below its previous close but at a healthy premium to cash.

Strong profit-taking in the first hour of trading saw the contract retreat to 3,164, the day's low, for the first of two occasions before bargain hunting stopped the slide.

The rally that followed took the contract to a peak of 3,184 before another bout of selling once again sent it to the day's low. The weak opening on Wall Street only encouraged further selling of September.

It finished at 3,175, down 8 from its previous session but at a 16-point premium to cash. Volume was very poor at 8,149 lots.

Dealers said the December contract had been trading a point above its fair value premium of 12 points, an indication of confidence in the contract.

Active dealing in the stock options brought improved turnover in the traded options sector. Volume at the close was 36,649 contracts, of which 10,584 were dealt in the FT-SE 100 option and 2,155 in the Euro FT-SE option. Tesco was the busiest stock option with 3,370 lots dealt. National power and Argyll Group were also active.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3177.0	3175.0	-8.0	3184.0	3164.0	8149	56880
Dec	3185.0	3188.0	-7.5	3188.0	3165.0	57	3910

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3710.0	3695.0	+10.0	3710.0	3710.0	4	[illegible]

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		3696.0					696

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3160) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P
Aug	173½	6	128½	10	86	16	49½	28	25½	53½	12	95	3½	144½	1	194½
Sep	194½	20½	160	28	117	42½	85½	62½	56½	84½	36½	114½	24½	152	14	194
Oct	299	37½	172	50½	137	65½	109	87	83	111½	63	147	46	174	32	211
Nov	227½	48	190½	62	157½	78	129	99	102	122½	80½	151	60½	181½	45	218
Dec†	244	61			175½	92			125½	134½			77½	198		

Calls 5,643 Puts 4,936

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
Aug	193½	4	147½	8½	103½	13	66½	25½	37½	45½	18	77½	7	114½	3	
Sep	216	17	174½	25½	136½	36	100½	51	71	71	47½	97	29½	129	17	
Oct			188	42½			122½	75			72½	120½			38½	
Dec			222½	62½			156½	97½			109½	144½			70	
Mar†			283½	89			208	125			152½	171½			111	

Calls 657 Puts 1,516 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3450	3500	3550	3600	3650	3700	3750
Apr					85 38	55 54	35 83

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Aug 3	Day's chge%	Aug 2	Aug 1	Jul 29	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3160.4	+0.1	3157.5	3097.4	3082.6	2941.3	3.97	6.68	17.66	77.14	1166.21
FT-SE Mid 250	3689.6	+0.4	3673.4	3641.4	3640.2	3349.4	3.35	5.82	21.43	82.02	1367.42
FT-SE Mid 250 ex Inv Trusts	3689.8	+0.5	3672.0	3641.3	3641.5	3363.2	3.49	6.09	19.94	85.61	1364.36
FT-SE-A 350	1592.6	+0.2	1590.1	1563.6	1557.7	1474.1	3.82	6.44	18.40	38.09	1223.56
FT-SE SmallCap	1854.19	+0.4	1847.51	1836.64	1834.57	1667.56	3.04	4.19	31.40	33.77	1430.89
FT-SE SmallCap ex Inv Trusts	1819.94	+0.4	1813.04	1803.54	1802.02	1657.85	3.22	4.61	28.00	34.69	1407.89
FT-SE-A ALL-SHARE	1579.21	+0.2	1576.29	1551.22	1545.74	1455.84	3.77	6.28	18.86	37.15	1224.06

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	61	2	8
Other Fixed Interest	1	0	14
Mineral Extraction	34	58	78
General Manufacturers	193	79	375
Consumer Goods	57	25	105
Services	124	61	321
Utilities	24	9	12
Financials	86	86	186
Investment Trusts	131	38	296
Others	40	40	52
Totals	761	428	1449

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	25 July	Expiry	27 October
Last Dealings	5 August	Settlement	10 November

Calls: Aid Leisure, Br Polythene, Butte Mng, Danae Est, Eidos, Euro Disney, NSM, Premier Cons, Ramco Energy, Regent Cp, Tullow Oil. Puts: Br Polythene, NSM, Tullow Oil. Puts & Calls: ASDA, Glaxo, Hanson Wts, Marks & Sp, Norbain, Wellcome.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	21.9	89	83	Baillie G Shn Wrts	87		-	-	-	-
18	F.P.	5.18	31	21	Camell	28		-	-	-	-
-	F.P.	27.0	88	83	Emrg Mkts Country	54	-2	-	-	-	-
-	F.P.	3.50	35	26	Do. Warrants	36		-	-	-	-
220	F.P.	110.8	227	220	Eurodollar	225	+2	WN8.5	0.9	4.7	17.7
175	F.P.	243.8	203	197	Expo A/L	198		L8.4	2.2	5.3	10.8

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

	Aug 3	Aug 2	Aug 1	July 29	July 28	Yr ago	*High	*Low
Ordinary Share	2463.4	2454.0	2405.9	2389.9	2399.1	2330.3	2713.6	2240.8
Ord. div. yield	4.10	4.11	4.19	4.21	4.19	3.95	4.46	3.43
Earn. yld. % full	5.51	5.52	5.63	5.66	5.64	4.71	5.96	3.82
P/E ratio net	19.36	19.32	18.93	18.84	18.91	27.18	33.43	17.89
P/E ratio nil	20.13	20.09	19.68	19.59	19.66	25.11	30.80	18.61

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2459.8	2459.9	2454.0	2454.0	2463.5	2462.9	2459.9	2462.1	2463.4	2465.2	2451.7

	Aug 3	Aug 2	Aug 1	July 29	July 28	Yr ago
SEAQ bargains	30,078	31,102	24,482	23,353	23,585	31,627
Equity turnover (£m)†	-	1506.4	1219.0	1175.1	1390.6	1558.8
Equity bargains†	-	33,886	27,505	29,229	26,109	37,061
Shares traded (ml)†	-	571.2	459.1	434.5	528.0	653.4

† Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23	+1/8	£25 5/8	£20 1/4	6,878	4.9	ϕ
ANZ A$		195 1/2	-1	278 1/4	179 1/4	2,603	4.9	29.4
Abbey National	†N	397	+6 1/2	523	381	5,208	5.0	13.2
Allied Irish I£	♣N	261	+4	314	234	1,719	4.8	10.0
Anglo Irish I£	N	58	—	70	50	199.5	7.4	10.6
Asahi Y		810 1/4	+14 1/4	819 1/4	638	18,805	0.6	ϕ
Banco Bil Viz Pts		£15 1/4	—	£16 1/4	£14 1/8	3,675	5.3	7.0
Banco Sant Pts		£25 1/4	—	£30 1/2	£23 1/4	3,818	5.7	8.8
Bk Ireland I£	♣	280	+2	319	246	1,323	4.7	8.1
Bank Scotland	♣N	184	-1	247	172 1/2	2,147	3.4	15.0
9 1/4pc Pf		116	+1/4	141 1/2	114	116.0	10.0	–
9 1/4pc Pf		121	+1	148 1/2	119 1/4	121.0	10.1	–
Barclays	♣N	580	-8	640	487	9,111	3.4	22.2
Dai Ichi Kan Y		£12 1/2	—	£12 1/4	£10 1/4	38,332	0.4	–
Deutsche DM		£304 1/2	+1 1/8	£344 1/2	£270 1/4	14,483	2.2	–
Espirito Santo		£19	+1/8	£26 1/4	£17 1/4	203.1	4.1	4.7
First Nat Fin	N	66xd	+1	80	60	111.4	2.8	–
6.3pc Cv Pf		78	—	90	77	5.24	10.1	–
7pc Cv Pf		127	—	171	123	60.3	6.9	–
Fuji Bank Y		1491	+13	1549 1/4	1152 1/2	43,193	0.4	ϕ
HSBC HK	N	804	-3	1133	620	[illegible]	3.7	11.6
HSBC (75p Shs)	N	791	-2	1113	660	[illegible]	3.7	11.5
Lloyds	†N	542	-2	660	519	[illegible]	5.4	10.5
Mitsubishi Y		£18 7/8	—	£18 1/4	£15 5/8	48,630	0.3	ϕ
Mits Tst & Bk Y		1030 1/4	+2 1/4	1162 1/4	687 1/2	12,351	0.5	16.0
Mitsui Tst & Bk Y		766 1/2	-9 1/4	879	514	9,185	[illegible]	25.3
Nat Aust A$	†	521	-2 1/4	620 1/4	429 1/4	6,973	[illegible]	10.9
NatWest	†N	465	-5	622	421	7,737	[illegible]	10.4
Ottomane FFr		£23 1/2	—	£33	£23 1/2	117.5	[illegible]	ϕ
Ryl Bk Scotland	♣†N	386	+4	528	377 1/2	3,068	[illegible]	17.4
Sakura Y		£9 1/2	+1/8	£9 1/2	£8 1/4	30,515	0.6	55.7
Sanwa Y		£14 1/4	+1/8	£15 1/4	£11 1/4	41,179	0.4	ϕ
Standard Chartd	N	278	-2	359 1/4	223	2,671	2.7	12.2
7 3/8pc Prf		92 1/4	+1/4	108 1/2	89 1/4	82.8	9.9	–
Sumitomo Y		£13 1/4	+1/8	£16 1/4	£11 1/2	41,126	0.4	27.3
Sumitomo Tst Y		966	+2	[illegible]	625	12,014	0.6	ϕ
TSB	†N	206	-2	[illegible]	197	3,153	5.0	10.2
Tokai Y		£8 1/2	-1/8	[illegible]	£6 1/4	17,248	0.7	52.0
Toyo Tst & Bk Y		810 1/4	+8 1/4	[illegible]	586 1/4	6,368	0.6	70.1
Westpac A$		222	-4	[illegible]	194	4,041	2.5	ϕ
Yasuda Tst Bk Y	‡	588 1/2	-6 1/2	[illegible]	442	6,493	[illegible]	50.9

CHEMICALS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's
AGA SKr		£9 1/2	+1/8	£12 1/8	£4 1/8	623.7	11.7
Akzo Fl		£80 1/4	+1/4	£81 1/2	£63 1/2	3,896	3.0
Allied Colloids	N	282xd	+4	288	231	742.8	2.1
Amber Ind	N	743xd	—	755	705	29.1	3.4
BASF DM		£135 1/2	+1 1/4	£138 1/2	£10[illegible]	7,908	7.0
BOC	♣N	765	+5	787	[illegible]	3,849	3.8
BTP	♣N	317xd	+6	373	[illegible]	439.4	3.9
Bayer DM		£154 1/2	+1	£158 1/2	£129 1/2	10,343	5.9
[illegible]	N	115	—	131	98	77.6	4.3
[illegible]	N	270	+2	309	233	585.8	3.4
[illegible]		18	—	25	18	2.35	–
[illegible]	♣N	190	—	199	153	54.6	4.7
[illegible]	♣	69	—	109	69	16.2	5.0
[illegible]		29	—	48	28	0.25	–
[illegible]	N	544	+2	590	467	2,186	3.4
[illegible]	N	389	+5	394	327	487.1	2.8
[illegible]	♣	95	—	133	95	10.1	6.1
Engelhard $		£15 1/4	-1/4	£20 1/4	£14 1/2	1,628	1.8
European Colour	♣N	55 1/2	—	58	35 1/2	16.7	2.8
Gibbon Lyons	♣	134	—	149	132	12.2	5.3
Hickson	♣N	185	-2	223	180	290.0	6.0
Hoechst DM		£147 1/2	-1 1/4	£148 1/2	£108 1/2	8,693	5.0
Holliday Chemical		237	+2	237	153 1/4	246.3	2.1
ICI	N	866	-4	866	728	6,188	4.1
Inspec		231	+1	231	178	196.9	–
Kalon	♣N	167	+3	181 1/2	[illegible]	223.8	3.1
Laporte	♣N	790	+2	843	[illegible]	1,512	3.3
MTM	♣	72 1/2	+1 1/2	78	48	26.9	–
Manders	N	348	—	405	332	138.2	3.6
McLeod Russel	N	114	—	127	100	88.0	6.7
Metrotect Inds	♣N	102xd	—	128	99	34.6	4.2
Perstorp SKr		£25 1/4	+1/4	£32 1/4	£22 1/4	122.6	1.6
Porvair	♣	310	+5	349	265	47.7	1.7
Scapa	♣N	218xd	-4	272	185	511.9	3.4
Sutcliffe Speak	♣N	49	+2	66	44	[illegible]	1.3
Wardle Storeys	N	361	—	480	361	[illegible]	6.0
Wellington	W	204	—	220	203	[illegible]	3.2
Wolstenholme	♣	723	—	723	570	[illegible]	3.1
Yorkshire	♣†N	414	-7	483	380	[illegible]	2.5
Yule Catto	N	303	+3	336	258	[illegible]	2.6

DISTRIBUTORS

ELECTRONIC & ELECTRICAL EQPT - Cont.

EXTRACTIVE INDUSTRIES

HEALTH CARE - Cont.

INVESTMENT TRUSTS - Cont.

BREWERIES

HOUSEHOLD GOODS

INSURANCE

BUILDING & CONSTRUCTION

ENGINEERING

INVESTMENT TRUSTS

DIVERSIFIED INDUSTRIALS

FOOD MANUFACTURERS

BUILDING MATS. & MERCHANTS

ELECTRICITY

GAS DISTRIBUTION

HEALTH CARE

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING, VEHICLES

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the [illegible] discretion

FT Free Annual Reports Service

You can obtain the current [illegible]interim report of any company annotated with ♣. Please quote the code FT2972. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for [illegible] outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption [illegible]. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of [illegible] of units over buyers.

TIME: The time shown along[illegible] fund manager's name is the time of [illegible] trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379[illegible]

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هكذا في الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mgmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)F

OTHER UK UNIT TRUSTS

INSURANCES

Abbey Life Assurance Co Ltd - Contd.

Abbey National Life Plc

Acuma Life Assurance Ltd

Century Life Plc

City of Westminster Assurance Co Ltd

Clerical Medical Investments

Friends Provident

Irish Life Assurance Co Plc - Contd.

Lancashire & Yorkshire Assce Society

Legal & General

Lincoln National

London & Manchester Assurance Gp

M & G Life and M & G Pensions - Contd.

Norwich Union Life Insurance Soc.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Prudential Corporate Pension Funds - Contd.

Prudential Individual Life Funds

Prudential Individual Pension Funds

Scottish Amicable

Scottish Equitable plc

FT MANAGED FUNDS SERVICE

● FT [illegible] Unit [illegible] are available over the telephone. Call the FT [illegible] Help Desk on (071 [illegible] for more [illegible]

Scottish Life Investments

Sun Alliance Group - Contd.

CMI Insurance Co Ltd - Contd.

Scottish Provident Intl Life Ass Ltd - Contd.

Hambros Fd Mgrs (CI) Ltd

Yamaichi Capital Mngt (Guernsey) Ltd

GT Asset Management (Ireland) Ltd

Capital House Fund Mgrs - Contd.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

[illegible]

هكذا في الاصل

هكذا في الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Warburg Asset Management Jersey Ltd

[illegible]

Worldinvest (Managers) Jersey Ltd

[illegible]

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO

[illegible]

Abtrust Fund Mngrs Luxembourg SA (u)

13 rue Goethe, L-1637 Luxembourg 010 352 4048481

[illegible]

American Phoenix Investment Portfolios (u)

13 rue Goethe, L-1637 Luxembourg 010 352 4048481

[illegible]

Foreign & Colonial Emerging Markets Ltd (u)

[illegible]

Frontrunner I (u)

[illegible]

Gartmore Luxembourg SA (u)

[illegible]

HSBC Investment Funds Luxembourg SA (u)

[illegible]

Henderson Management SA (u)

[illegible]

S.G. Warburg Asset Mngmt Lux SA - Contd.

[illegible]

LUXEMBOURG (REGULATED)(**)

For ABN AMRO see Luxembourg (SIB Recognised)

Aetna International Umbrella Fund (u)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND [redacted]

MARKETS REPORT

Lira gains [redacted] D-Mark

The strengthening Lira yesterday breached the L1,000 [redacted] against the D-Mark as fears [redacted] political instability receded, [redacted] *Gawith.*

Although [redacted] conflict of interest arising from prime minister Silvio Berlusconi's [redacted] in the Fininvest media group remain unresolved, the market [redacted] comforted by his public address on Tuesday.

The pledge by Mr Umberto Bossi, [redacted] Northern league leader, [redacted] he would not bring down the government, [redacted] bolstered sentiment.

The [redacted] closed in London [redacted] L998.8 from L1,003 on Tuesday. Elsewhere in Europe the peseta slipped slightly [redacted] Pta102.1 against the D-Mark, from Pta101.8, [redacted] the [redacted] of Spain [redacted] key money [redacted] by 15 [redacted] points [redacted]

Amid generally quiet trading conditions [redacted] the foreign exchanges, the dollar contin[redacted] showing against [redacted] yen, again finishing [redacted] Y100 in London. It closed at Y100.175 from [redacted]100.415.

The pound [redacted] affected by the Bank [redacted] England's [redacted] inflation report. The trade weighted sterling index [redacted] unchanged [redacted] 79.3, with [redacted] pound closing at DM2.4317 against [redacted] D-Mark from DM2.4346.

The Australian dollar [redacted] under [redacted] in [redacted] was unlikely. It [redacted] from $0.7357, but [redacted] trading [redacted] of $0.73.

■ It looks possible that the [redacted] over [redacted] the lira in the [redacted] term [redacted] houses [redacted] parliament [redacted] go on holiday [redacted] weekend.

Mr Giorgio Radaelli, international economist [redacted] Lehman brothers in London, [redacted] the August-September period [redacted] a [redacted] one [redacted] Italian [redacted]

"The [redacted] of potential political [redacted] improves [redacted] chances of lira [redacted] doing well because the [redacted] are very good by pan-European standards."

Recent history, [redacted] Mr Radaelli, shows that the third quarter of the year tends to be the best for lira assets. Strong tourism receipts is the main reason for this.

Commenting on the lowering of rates in Spain, Mr Radaelli said it [redacted] not unexpected. The Bank of Spain [redacted] in [redacted] quarter that it was prepared to lower rates faster than the Bundesbank.

The poor economic situation in [redacted] country, where unemployment is over 20 per cent, is also a stimulus to ease policy.

The government still main[redacted] a [redacted] in [redacted] setting of rates, and the high level of private sector debt in the country means that a rate cut move has wide repercussions.

Mr Radaelli said the central bank's willingness to cut rates had probably also been encouraged by recent evidence of increased [redacted] flexibility. Improved labour [redacted] efficiency provided greater leeway in monetary policy.

The Lehman analyst said that the likelihood of further opportunistic rate cuts led him to predict [redacted] 3–5 per cent fall in the value of the peseta over the next 6–12 months.

■ The dollar ignored reports of [redacted] 0.2 per cent rise in the government's [redacted] index of leading economic indicators and [redacted] 0.8 per cent gain in July factory orders.

It firmed slightly in [redacted] York after the release of the Fed's beige book, which reported solid economic growth, with scattered signs of growth slowing.

[redacted] Turner, [redacted] strategist at [redacted] said one [redacted] tor accounting for renewed dollar strength was changes in hedging ratios. For those Japanese [redacted] felt that the [redacted] might [redacted] bottomed out, it made sense to unwind hedging positions taken out as [redacted] precaution against a rising yen.

In the period August–December [redacted] the [redacted] fell by [redacted] 14 per cent against the dollar, despite no big changes in the trade surplus or capital flows. Changes [redacted] hedging [redacted] lay behind this move.

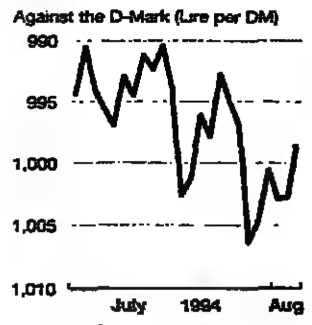
■ UK money market [redacted] maintained their steady tone with three month LIBOR trading again [redacted] per cent. Although interest rate sentiment is more positive than at the [redacted] of [redacted] week, the market remains nervous.

This was encouraged by the slightly [redacted] media [redacted] of the [redacted] quarterly inflation report. Although many analysts found the report encouraging, most [redacted] headlines predicted that [redacted] would [redacted] within the next [redacted] months.

A further hint [redacted] no [redacted] rise is imminent came with the [redacted] interest [redacted] on [redacted] and five week repo and secured loan facilities, commencing today, would be unchanged at 5⅛ per cent. The total amount to be provided to the market will be [redacted]

In [redacted] daily operations the Bank provided late assistance of about £455m. Earlier it had provided £86m assistance at established rates, compared to [redacted] forecast £950m shortage.

Short sterling futures traded [redacted] volumes, [redacted] price [redacted] fairly small. [redacted] to finish unchanged at [redacted] Overnight money traded in the 4¾ –7 [redacted] range.



Source: FT Graphite

■ **Pound in New York**

Aug 3	—Latest—	— Prev. [redacted] —
£ spot	1.5395	[redacted]
1 mth	1.5335	[redacted]
3 mth	1.5366	1.5329
1 yr	1.5284	[redacted]

■ **OTHER CURRENCIES**

Aug 3	£	$
[redacted]	[redacted] - 158.561	101.550 - 101.650
Iran	[redacted] - 2697.00	1748.00 - 1750.00
[redacted]	[redacted]	0.2980 - 0.2985
Poland	35058.8 - [redacted]	22770.0 - 22800.0
Russia	[redacted]	2050.00 - 2065.00
U.A.E.	5.6461 - [redacted]	3.6718 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 3		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	[redacted]	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	[redacted]	17.1229	-0.0131	157 - 301	17.1560	17.0725	17.1136	0.3	17.1067	0.4	-	-	114.0
Belgium	(BFr)	50.0545	-0.0425	370 - 719	50.1830	50.0060	50.0595	-0.1	50.0695	-0.1	49.7595	0.6	116.5
Denmark	[redacted]	9.5646	-0.0082	601 - 690	9.5903	9.5511	9.5691	-0.6	9.5798	-0.6	9.6317	-0.7	116.7
Finland	[redacted]	8.0053	-0.0167	979 - 126	8.0305	7.9973	-	-	-	-	-	-	82.5
France	(FFr)	8.3107	-0.01	081 - 132	8.3273	8.3036	8.312	-0.2	8.3102	0.0	8.2803	0.8	109.9
Germany	(DM)	2.4317	-0.0029	307 - 327	2.4400	2.4254	2.432	-0.2	2.429	0.5	2.3992	1.3	125.6
Greece	(Dr)	369.884	+2.393	504 - 264	373.377	367.273	-	-	-	-	-	-	-
Ireland	(I£)	1.0131	-0.0017	124 - 138	1.0158	1.0124	1.0131	0.1	1.013	0.0	1.0128	0.0	104.6
[redacted]	(L)	2428.43	-12.92	718 - 967	2439.22	2425.53	2435.33	-3.3	2448.98	-3.1	2495.23	-2.8	78.0
Luxembourg	(LFr)	50.0545	-0.0425	370 - 719	50.1830	50.0060	50.0595	-0.1	50.0695	-0.1	49.7595	0.6	116.5
Netherlands	(Fl)	2.7311	-0.0014	302 - 320	2.7376	2.7252	2.7303	0.3	2.7278	0.5	2.0965	1.3	120.2
Norway	(NKr)	10.6215	-0.005	179 - 251	10.6505	10.6042	10.6195	0.3	10.627	-0.3	10.615	0.1	86.3
Portugal	(Es)	248.155	+0.21	876 - 434	248.642	247.660	249.565	-6.4	253.065	-7.9	-	-	-
[redacted]	(Pta)	200.257	-0.108	256 - 457	201.009	199.955	200.622	-2.2	201.602	-2.5	203.742	-1.7	86.1
Sweden	(SKr)	11.8844	-0.065	583 - 725	11.9099	11.8500	11.8853	-2.2	11.9364	-2.4	12.1560	-2.5	74.3
[redacted]	(SFr)	2.0540	+0.0006	531 - 549	2.0596	2.0522	2.0524	1.0	2.0483	1.1	2.0167	1.8	120.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.3
Ecu	-	1.2709	-0.0012	704 - 714	1.2745	1.2687	1.2716	-0.7	1.2729	-0.5	1.2725	-0.1	-
SDR†	-	0.941869	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5388	+0.0007	384 - 391	1.5391	1.5323	-	-	-	-	-	-	-
Brazil	(R)	1.3967	-0.0174	949 - 985	1.4081	1.3949	-	-	-	-	-	-	-
Canada	(C$)	2.1378	-0.001	370 - 386	2.1386	2.1305	2.1354	-0.3	2.1398	-0.3	2.1551	-0.8	85.0
Mexico	(New Peso)	5.2057	-0.0234	023 - 090	5.2090	5.1946	-	-	-	-	-	-	-
USA	($)	1.5399	+0.0003	396 - 402	1.5402	1.5335	1.5339	0.8	1.5373	0.7	1.5271	[redacted]	[redacted]
Pacific/Middle East/Africa													
Australia	(A$)	2.1039	+0.0111	027 - 050	2.1050	2.0944	2.1032	0.0	2.1052	-0.2	[redacted]	-0.9	-
Hong Kong	(HK$)	11.8962	+0.0031	931 - 993	11.8993	11.8471	11.8323	0.4	11.8312	0.2	[redacted]	0.0	-
India	(Rs)	48.3086	+0.0129	934 - 238	48.3239	48.1100	-	-	-	-	-	-	-
Japan	(Y)	154.260	-0.334	191 - 328	154.960	153.570	153.64	3.3	152.92	3.2	148.47	3.8	189.8
Malaysia	(M$)	3.9661	-0.0194	645 - 676	3.9707	3.9547	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5655	+0.0112	639 - 670	2.5670	2.5522	2.5634	-1.5	2.5773	-1.8	[redacted]	-1.3	-
Philippines	(Peso)	[redacted]	-0.2985	375 - 676	40.9678	40.3375	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7751	+0.0011	737 - 765	5.7765	5.7515	-	-	-	-	-	-	-
Singapore	(S$)	2.3207	-0.0001	194 - 219	2.3219	2.3113	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5983	-0.0199	949 - 017	5.6180	5.5827	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9989	-0.0215	821 - 156	7.0156	6.9737	-	-	-	-	-	-	-
South [redacted]	(Won)	1235.93	+0.36	553 - 632	1236.32	1230.79	-	-	-	-	-	-	-
Taiwan	(T$)	40.9036	+0.0285	918 - 154	40.9154	40.7693	-	-	-	-	-	-	-
Thailand	(Bt)	38.5437	+0.0241	208 - 666	38.5666	38.4140	-	-	-	-	-	-	-

†SDR rate for Aug 2. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGA[redacted]

[redacted]		Closing mid-point	[redacted] on day	[redacted] spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	[redacted]	[redacted]	-0.011	170 - 220	11.1700	11.1172	11.1197	0.0	11.1196	0.0	11.0348	0.8	104.1
Belgium	[redacted]	[redacted]	-0.035	000 - 100	32.6700	32.5000	32.525	-0.7	32.55	-0.6	32.585	-0.2	105.7
Denmark	[redacted]	[redacted]	[redacted]	095 - 128	6.2435	6.2095	6.2192	-1.4	6.2312	-1.3	[redacted]	[redacted]	105.0
[redacted]	[redacted]	[redacted]	[redacted]	948 - 023	5.2268	5.1949	5.2026	-0.9	5.2106	-0.9	[redacted]	-1.2	77.2
France	(FFr)	[redacted]	-0.0077	[redacted]	5.4228	5.3963	5.4012	-1.0	5.4066	-0.7	[redacted]	[redacted]	106.2
Germany	[redacted]	1.5792	[redacted]	788 - 795	1.5823	1.5738	1.58	-0.6	1.5802	-0.2	1.5712	0.5	106.6
Greece	[redacted]	240.200	+1.5	000 - 400	241.100	239.100	240.59	-1.9	241.375	-2.0	244.7	-1.9	69.4
Ireland	[redacted]	[redacted]	+0.0029	193 - 208	[redacted]	1.5115	1.5187	1.1	1.5165	0.9	[redacted]	[redacted]	-
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1582.35	-4.1	1591.85	-3.8	[redacted]	-3.6	70.2
[redacted]	(LFr)	[redacted]	-0.035	000 - 100	32.6700	32.5000	32.525	-0.7	32.55	[redacted]	32.585	-0.2	105.7
[redacted]	[redacted]	[redacted]	[redacted]	733 - 738	[redacted]	1.7733	1.7744	-0.5	1.7727	0.2	1.7658	0.4	105.3
Norway	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	6.9005	-0.5	6.9065	-0.5	6.87	0.4	96.5
Portugal	[redacted]	[redacted]	+0.1	000 - 300	[redacted]	[redacted]	162.235	-6.1	163.975	-7.0	170.4	-5.7	95.1
Spain	[redacted]	[redacted]	-0.1	070 - 150	130.840	130 [redacted]	130.505	-3.6	131.15	-3.2	133.43	-2.6	81.2
Sweden	(SKr)	[redacted]	[redacted]	009 - 084	7.7579	7.7009	7.7227	-2.8	7.7562	-2.7	7.9097	-2.7	79.4
[redacted]	(SFr)	[redacted]	+0.0001	335 - 342	1.3415	1.3335	1.3337	0.1	1.3324	0.4	1.3206	1.0	108.2
UK	(£)	1.5399	+0.0003	396 - 402	[redacted]	1.5335	1.5389	0.8	1.5373	0.7	1.5271	0.8	87.6
Ecu	-	1.2117	+0.0014	114 - 119	1.2119	1.2052	1.2102	1.4	1.2081	1.2	1.2203	-0.7	-
SDR†	-	1.45142	-	-	-	-	-	-	-	-	-	-	-
Americas													
[redacted]	(Peso)	[redacted]	+0.0002	[redacted] - 993	[redacted]	[redacted]	-	-	-	-	-	-	-
Brazil	[redacted]	0.9070	-0.0115	060 - 080	[redacted]	[redacted]	-	-	-	-	-	-	-
Canada	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1.3896	-1.1	1.3919	-1.0	1.4114	-1.7	82.1
[redacted]	(New Peso)	[redacted]	-0.016	[redacted]	[redacted]	[redacted]	3.3815	-0.4	3.3833	-0.3	[redacted]	-0.3	-
USA	[redacted]	-	-	-	-	-	-	-	-	-	-	-	[redacted]
Pacific/Middle [redacted]													
Australia	(A$)	[redacted]	[redacted]	667 - 687	[redacted]	1.3639	1.3664	-3.2	1.3671	[redacted]	[redacted]	[redacted]	[redacted]
Hong Kong	[redacted]	[redacted]	+0.0002	[redacted]	7.7258	7.7248	7.7251	0.0	7.7258	0.0	[redacted]		-
[redacted]	(Rs)	[redacted]	[redacted]	675 - 750	[redacted]	[redacted]	31.4563	-3.3	31.6013	[redacted]	-	-	-
Japan	[redacted]	[redacted]	-0.24	150 - 200	[redacted]	[redacted]	99.965	2.5	99.54	2.5	[redacted]	[redacted]	149.2
Malaysia	[redacted]	[redacted]	[redacted]	750 - 760	[redacted]	[redacted]	2.5663	4.3	2.555	[redacted]	[redacted]	-2.1	-
New Zealand	[redacted]	[redacted]	[redacted]	683 - [redacted]	[redacted]	[redacted]	1.6669	-0.7	1.6688	-0.7	1.6741	-0.5	-
[redacted]	(Peso)	26.4000	[redacted]	000 - [redacted]	26.6000	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0002	[redacted]	[redacted]	[redacted]	3.7516	-0.4	3.7557	-0.6	3.7743	-0.6	-
Singapore	(S$)	[redacted]	-0.0005	[redacted]	[redacted]	[redacted]	1.5057	1.1	1.5038	[redacted]	1.497	0.7	-
S Africa (Com.)	(R)	[redacted]	[redacted]	340 - 370	[redacted]	[redacted]	3.651	-5.1	3.6793	-4.8	[redacted]	-3.3	-
S Africa (Fin.)	(R)	[redacted]	-0.015	350 - 550	[redacted]	4.5350	4.5787	-8.9	4.6375	-8.1	-	-	-
South Korea	(Won)	[redacted]	[redacted]	500 - 700	802.800	802.500	805.6	-4.5	809.1	-3.2	827.6	-3.1	-
[redacted]	(T$)	[redacted]	[redacted]	600 - 650	26.5690	26.5550	26.5825	[redacted]	[redacted]	-0.9	-	-	-
Thailand	[redacted]	25.0300	[redacted]	200 - 400	25.0400	25.0200	25.1025	-3.5	25.23	[redacted]	[redacted]	-2.7	-

†SDR rate for Aug 2. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 2. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug [redacted]		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	[redacted]	[redacted]	19.11	[redacted]	4.857	2.024	4851	5.457	21.22	495.7	[redacted]	23.70	4.104	[redacted]	4.270	[redacted]	308.1	[redacted]
Denmark	[redacted]	52.33	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	11.10	259.4	209.4	12.40	2.148	[redacted]	2.234	1.609	161.2	[redacted]
France	(FFr)	60.23	11.51	[redacted]	[redacted]	1.219	2922	3.286	12.78	[redacted]	[redacted]	14.27	2.472	[redacted]	2.572	1.852	[redacted]	1.828
Germany	[redacted]	20.58	3.934	3.418	1	[redacted]	998.6	[redacted]	4.369	102.1	82.39	[redacted]	[redacted]	0.411	0.879	0.633	[redacted]	0.522
Ireland	(I£)	49.41	[redacted]	[redacted]	2.400	1	[redacted]	2.696	10.48	244.9	[redacted]	11.71	2.028	0.987	2.110	[redacted]	152.2	1.254
Italy	(L)	2.061	[redacted]	0.342	[redacted]	[redacted]	100.	[redacted]	0.437	[redacted]	8.250	[redacted]	0.085	0.041	0.088	0.063	6.351	0.052

EMS EUROPEAN CURRENCY UNIT RATES

[redacted] 3	[redacted] rates	Rate against Ecu	[redacted] on [redacted]	% +/- from cen. rate	% [redacted] weakest	Div. Ind.
Netherlands	2.19672	2.15548	+0.00032	[redacted]	4.50	-
[redacted]	40.2123	39.5209	[redacted]	-1.72	4.33	13
[redacted]	1.94964	1.91991	[redacted]	-1.52	4.13	-
Ireland	0.808628	0.799379	+0.000164	-1.19	3.78	8
France	[redacted]	6.55925	-0.00033	0.31	2.22	-3
Portugal	192.854	195.755	[redacted]	[redacted]	1.02	-10
Denmark	7.43679	7.55313	-0.00065	1.56	0.96	-11
Spain	154.250	158.166	+0.329	2.54	0.00	-18
[redacted] ERM MEMBERS						
Greece	264.513	289.911	-0.225	9.60	-6.44	-
[redacted]	1793.19	1919.41	-4.98	7.04	-4.20	-
UK	0.786749	0.785108	+0.000125	0.17	2.38	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.450	8.43	8.33	8.45	-	0.02	0.22
1.475	5.99	6.05	6.34	-	0.18	0.54
1.500	3.53	3.96	4.44	-	0.64	1.11
1.525	1.42	2.30	2.87	0.33	1.32	2.02
1.550	0.25	1.13	1.76	1.66	2.61	3.29
1.575	-	0.46	0.98	3.84	4.43	4.99

Previous day's vol., Calls 8,763 Puts 6,184 . Prev. day's open int., Calls 601,428 Puts 466,279

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

■ **STERLING FUTURES** (IMM) £62,500 per £

WORLD [redacted] RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

■ **THREE MONTH EUROMARK FUTURES** (LIFFE) DM1m points of 100%

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

■ **THREE MONTH EURODOLLAR** (LIFFE) $1m points of 100%

UK INTEREST RATES

LONDON MONEY RATES

Aug 3	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 4¼	5⅛ - 4⅞	5¼ - 5	5⅝ - 5½	5⅞ - 5¾	6¾ - 6½
Sterling CDs	-	-	5⅛ - 5	5½ - 5⅜	5⅞ - 5¾	6½ - 6⅜
Treasury [redacted]	-	-	5⅛ - 4⅞	5⅜ - 5⅛	-	-
Bank Bills	-	-	5⅛ - 4⅞	5½ - 5⅜	5¾ - 5⅝	-
Local authority deps.	5⅛ - 4⅞	5⅛ - 5⅛	5⅛ - 5⅛	5⅝ - 5½	6⅛ - 5⅞	6⅜ - [redacted]
Discount Market deps	6¼ - 6¼	5⅛ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.6029pc. ECGD fixed rate Stg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Schemes II & III 6.60pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 5.2460pc. Finance House Base Rate 5½pc from Aug 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.22	94.18	-0.03	94.25	94.16	20998	98713
Dec	93.43	93.43	-	93.51	93.38	38822	159330
Mar	92.84	92.86	+0.02	92.95	92.84	12582	65398
Jun	92.39	92.40	+0.03	92.48	92.38	5202	52127

Traded on APT. All Open Interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.27	0.10	0.08	[redacted]	0.67	1.22
9425	0.12	0.05	0.05	0.19	0.87	1.44
9450	0.03	0.02	0.03	0.35	1.09	1.67

Est. vol. total, Calls 34356 Puts 7861. Previous day's open int., Calls 273552 Puts 232205

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 3 / Sch)

BELGIUM/LUXEMBOURG (Aug 3 / Frs.)

DENMARK (Aug 3 / Kr)

FINLAND (Aug 3 / Mks)

FRANCE (Aug 3 / Frs.)

GERMANY (Aug 3 / Dm.)

ITALY (Aug 3 / Lire)

NETHERLANDS (Aug 3 / Fls.)

NORWAY (Aug 3 / Kroner)

SPAIN (Aug 3 / Pts.)

SWEDEN (Aug 3 / Kronor)

SWITZERLAND (Aug 3 / Frs.)

PACIFIC

JAPAN (Aug 3 / Yen)

HONG KONG (Aug 3 / H.K.$)

MALAYSIA (Aug 3 / MYR)

SINGAPORE (Aug 3 / S$)

AUSTRALIA (Aug 3 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Aug 3 / Can $)

4 pm close

MONTREAL (Aug 3 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Aug 3 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 3, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Oil	19.7m	1,200	+30	Hitachi	5.2m	1,010	
Nippon Steel	10.6m	353	+8	Sumitomo Cement	5.2m	557	+7
Sumitomo Metal	9.8m	310	+7	Toshiba	4.9m	787	+11
Asahi Chemical	7.9m	772	+2	Nippon Suisan	3.7m	520	+24
Mitsubishi Heavy	5.7m	804	-5	Oki Electric	3.6m	766	-4

INDICES

	Aug 3	Aug 2	Aug 1	1994 High		1994 Low	
Turkey							
Istanbul Cmp.(Jan 1986)	(c)	22779.4	22191.0	[illegible]	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	633.7*	633.7	621.2	[illegible]	1/2	[illegible]	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1415.07	1416.02	1390.20	1545.38	31/1	1302.46	21/6
Euro Top-100 (26/6/90)	1241.76	1241.55	1216.30	1371.01	2/2	1143.08	21/6
JCapIOrgns (31/12/88)	(c)	329.88	328.22	395.39	5/1	280.28	21/3
Barings Emerg.(7/1/92)	170.85	167.45	168.50	192.72	14/2	141.65	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2119.0	2127.0	-5.0	2134.0	2113.0	-	23,967
Sep	2128.0	2135.0	-5.0	2138.5	2123.0	603	26,832
Dec	2157.0	2164.0	-5.0	2157.0	2154.5	38	7,870

Open interest figures for previous day.

* Sat July 30. Taiwan Weighted Price 6720.05. Korea Comp Ex 927.97. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded; BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp/Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours Index: Aug 3 - 2100.83 -2.80

US INDICES

Composite ‡	460.56	461.01	458.26	482.00 (2/2)	438.92 (4/4)	534.19 (29/7/94)	4.40 (1/6/32)
Industrials¥	536.45	536.86	534.09	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	45.17	45.20	45.12	48.04 (14/8)	41.30 (4/4)	48.40 (23/8/93)	8.64 (1/10/74)
NYSE Comp.	254.15	254.05	252.62	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	438.74	438.02	437.80	487.89 (2/2)	422.57 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	724.80	724.95	722.16	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 29	Jul 22	Jul 15	Year ago
Dow Jones Ind. Div. Yield	2.72	2.74	2.71	2.88
	Jul 27	Jul 20	Jul 13	Year ago
S & P Ind. Div. yield	2.45	2.46	2.47	2.55
S & P Ind. P/E ratio	23.13	23.07	22.83	25.09

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	460.80	460.75	-0.20	460.95	460.50	82,877	195,805
Dec	-	463.30	-	-	-	1,578	15,278
Mar	-	466.55	-	-	-	67	2,871

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Atlantic	6,450,900	25¾	—
Telefonos	4,150,900	62⅝	+1⅛
Carter Wal	3,113,100	11⅝	+⅜
Pfizer	3,000,400	65⅛	+2
Compaq	2,989,500	32⅞	+⅜
Gen Motors	2,889,700	52⅝	—
Merck	2,414,900	30	+⅝
Motorola	2,213,200	52⅝	+⅛
YPF	2,192,800	28⅝	+⅜
Gen Elec	2,171,200	50	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 2	Aug 1	Jul 29
New York SE	294.726	268.167	288.538
Amex	18.447	13.016	15.393
NASDAQ	285.965	251.709	274.501
NYSE			
Issues Traded	2,836	2,847	2,867
Rises	1,245	1,418	2,820
Falls	915	776	614
Unchanged	676	653	624
New Highs	85	55	45
New Lows	30	31	44

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telerate) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

4 pm close August 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	13⅞	AAR	0.48	3.4	475	88	14¼	14⅛	14¼	
16⅞	12⅝	A L Labs A	0.16	1.3	31	145	13⅜	d12⅝	13⅜	+¼
75¼	57⅝	AMP x	1.68	2.3	28	1250	74⅛	73⅝	73¾	-¼
72¾	52⅛	AMR			101	4761	58½	58	58	-⅛
5	3⅜	ARX			13	84	4	3⅞	4	-⅛
58⅛	38⅝	ASA	2.00	4.4	30	165	45⅝	45⅜	45⅜	
31⅞	25⅜	AbbotL	0.76	2.7	16	11024	28⅝	27⅞	27⅞	-¾
13¾	11⅝	Abitibi Pr	0.50	3.8	9	1508	13⅛	12⅞	13⅛	+¼
23⅞	17⅞	ABM Ind	0.52	2.3		38	22½	22	22½	+½
13¾	11⅛	Acptncein			24	20	13⅜	13¼	13¼	-⅛
31	22¾	ACE Ltd	0.44	1.9	3	465	23⅞	23¼	23¼	-⅛
12½	10⅛	ACM Gvt In x	1.09	10.2		310	10¾	10½	10¾	+⅛
10⅛	7⅞	ACM GvOpp x	0.80	9.6		37	8¼	8¼	8¼	+⅛
10⅝	7¾	ACM Gvt Sp x	0.96	12.0		259	8	7⅞	8	+⅛
12	9	ACM Gvt Se x	1.09	12.0		375	9⅛	d9	9⅛	
11¾	8⅜	ACM Man x	1.08	12.5		297	8¾	8½	8⅝	
9¼	8	ACM Managd x	0.72	9.0		88	8⅛	d8	8	
15½	8¾	AcmeClv x	0.44	3.8	14	56	11⅝	11½	11½	-⅛
9¼	6½	Acme Elect			8	88	8¾	8⅝	8¾	+¼
28¾	23	Acordia	0.60	2.4	12	47	25¼	25⅛	25⅛	-¼
10⅛	5¾	Acteva	0.36	3.5	3	914	u10½	9⅞	10¼	+½
15⅝	11¼	Acuson			96	154	12⅝	12⅜	12½	
18⅞	16½	Adams Expr	0.48	2.8	0	183	17⅜	17¼	17¼	
64	48½	Ad Micro	3.00	5.4		74	56⅛	55¾	55¾	-¼
31¾	18¾	AdvMic	3.00	11.2	11	3217	26⅞	26⅝	26⅞	
6⅞	5	Advest Grp	0.16	3.2	7	54	5⅛	d5	5	
20	15	Aero Inc	0.10	0.6	113	87	17	16¾	17	+¼
57¼	48⅜	Aegon ADR	2.95	5.2	12	12	57	56½	57	+⅜
65¾	48¾	AetnaL x	2.76	5.5	7	6023	51	50¼	50⅝	-⅛
35¾	25¼	Aflac	0.46	1.3	14	2101	35	34½	34¾	-⅛
20½	16⅜	Ahmanson x	0.88	4.2	15	7256	u20⅞	20	20¾	+1⅝
4	1⅜	Aileen Inc			1	14	1⅞	1¾	1⅞	
49⅞	38⅞	AirPrC	0.98	2.0	27	4009	u50½	49	50⅛	+⅜
39⅞	26¼	Airborne Frt	0.30	1.1	16	3322	26⅝	26½	26⅝	+⅛
28½	18¾	Airgas Inc			47	127	27¾	27¼	27¾	-¼
16⅞	14¾	Airlease	1.84	11.4	12	20	16⅛	16	16⅛	
28¾	21⅜	AirTch				6003	25¼	25	25¼	-⅛
18⅞	13⅝	Alaska Air	0.20	1.2	24	7258	16¾	16½	16⅝	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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4 pm close August 3

NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

4 pm close August 3

[illegible]

AMEX COMPOSITE PRICES

4 pm close August 3

[illegible]

FINANCIAL TIMES

Thursday August 4 1994

AMERICA

Focus on drugs sector while blue chips drift

Wall Street

Blue chip stocks drifted lower yesterday morning in a generally quiet session which was enlivened by news of takeover activity in the pharmaceuticals sector, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 11.97 lower at 3,784.25, while the more broadly based Standard & Poor's 500 was off 0.27 at 460.26. Volume on the Big Board was moderate, with 170m shares exchanged by early afternoon.

In the secondary markets, the American SE composite was up a scant 0.09 at 439.83 and the Nasdaq composite slipped 1.17 to 723.63.

At the opening, the market picked up where it had left off at Tuesday's close. In the final minutes of the previous session, American Home Products surprised Wall Street by announcing an offer to acquire American Cyanamid for $8.5bn, or $95 a share. Trading in both issues was halted on the news.

When it resumed yesterday, Cyanamid's stock jumped 43 per cent, or $27⅞, to $91⅞. SmithKline Beecham, which had been discussing an asset swap with Cyanamid before the bid surfaced, firmed $¼ to $28⅞. AHP was unchanged at $56⅞.

Signs of further consolidation in the healthcare industry inspired heavy activity in other drug stocks.

Warner Lambert jumped $4 to $72¼ on volume of 1.4m shares, while Upjohn climbed $1⅝ to $33¼. But Bristol Myers Squibb lost $1 to $54.

But the enthusiasm never spilled over into other sectors, as investors continued to tread water ahead of Friday's crucial report on employment conditions in July.

Yesterday's economic news mostly conformed to the expectations of analysts. The Commerce Department reported a 0.2 per cent gain in its June index of leading economic indicators, mostly because of rising prices for raw materials. The data presaged a moderating growth trend in the second half.

New orders of factory goods, up 0.8 per cent last month, came in a shade under the consensus forecast. Factory inventories edged higher for the fifth time in six months, but economists had expected as much.

Since the reports held no surprises, they were ignored by investors, who were still looking to confirm suspicions that the Federal Reserve would delay its next move to tighten credit.

In the meantime, share prices mostly drifted lower. Among the Dow industrials, United Technologies, down $⅞ at $62⅞, was hit by profit-taking. Caterpiller eased $⅞ to $108⅞ but International Paper added $⅝ at $75⅝.

A second hostile takeover announced just after Tuesday's close raised a ripple of excitement yesterday. Unitrin put on $9⅞, or 25 per cent, at $49⅞ on news of American General's offer to pay $50⅝ for each share. The suitor's shares shed $⅛ to $27⅞. Other insurance issues held fairly steady.

On the Nasdaq, Snapple Beverage was marked down $4⅞ to $15⅞ after the company posted second-quarter net income of 19 cents a share, two cents less than analysts had expected.

Canada

Toronto continued mixed in sluggish midday trading as the market looked for direction. The TSE 300 composite index eased 3.56 to 4,190.72 in turnover of 32.84m shares valued at C$346m.

Advances outpaced declines by 283 to 279, with 289 issues unchanged. Of Toronto's 14 sub-sectors, nine groups moved ahead, led by conglomerates, transportation and forestry products.

Brazil

Shares in São Paulo were up 2.2 per cent at midday on optimism that the contest for the presidential elections was narrowing.

The Bovespa index of the 56 most-active shares advanced 971 to 44,079 in turnover of R$193.9m ($213.3m).

Analysts said that investors were also buying stocks ahead of the options and futures index market settlements, scheduled for August 15 and 17 respectively.

Telebras preferred shares gained 1.6 per cent at R$44.80.

Bargain hunting supports equities in S Africa

Bargain hunters lifted shares off the day's lows, but the market remained wary of the gold price after its fall on Tuesday. The overall index rose 12 to 5,696, the industrial index gained 11 at 6,448 and golds slid 16 to 2,127.

Aggressive buying saw De Beers climb during the session to match its year's high of R119 set in June, before easing to close at R116.50. Anglos, which rose in tandem, fell back R1 to R252, while Johnnies appreciated R4 to R105.

Pick 'n Pay advanced 50 cents, or 4 per cent, to R12.50 on reports that its labour strike was to end.

Among golds, Joel rose 45 cents to R6.50 after falling on Tuesday, and Freegold put on 50 cents at R63.50 while Kloof declined 43 cents to R57.32.

Lonrho relinquished 30 cents to R9.65, Highveld Steel finished R1 down at R30.50 and Iscor ended 1 cent softer at R4.17.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: July 29 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: July 29 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(209)	641.28	+5.3	-1.4			
Argentina	(25)	896.58	+3.3	-9.8	550,164.58	+3.5	-9.8
Brazil	(57)	290.99	+5.4	+25.0	1,088,344,609	+5.4	+971.5
Chile	(25)	639.77	+0.6	+15.9	1,064.24	+1.2	+13.7
Colombia[1]	(11)	982.06	+0.1	+49.2	1,390.05	-0.1	+49.9
Mexico	(66)	886.24	+7.1	-11.9	1,299.86	+6.9	-3.7
Peru[2]	(11)	136.66	-1.8	+13.0	183.42	-1.8	+15.3
Venezuela[3]	(12)	463.31	-0.4	-21.7	1,810.65	-0.4	+27.4
Asia	(557)	251.09	+2.5	-13.7			
China[4]	(18)	96.69	+6.8	-35.2	105.34	+6.6	-35.8
South Korea[5]	(156)	127.18	+0.3	+7.6	134.10	-0.1	+6.8
Philippines	(18)	288.93	+3.6	-15.7	358.18	+2.3	-19.4
Taiwan, China[6]	(90)	153.24	+3.7	+13.3	153.20	+3.9	+14.5
India[7]	(76)	133.94	+1.8	+15.0	148.12	+1.8	+15.0
Indonesia[8]	(37)	95.60	-1.9	-23.3	112.55	-1.8	-21.0
Malaysia	(105)	274.94	+3.3	-18.9	263.18	+3.4	-21.9
Pakistan[9]	(15)	389.13	-1.0	+0.3	539.34	-1.0	+2.1
Sri Lanka[10]	(5)	181.51	-0.2	+2.4	193.58	-0.5	+1.4
Thailand	(55)	390.41	+1.8	-18.3	387.85	+2.0	-19.7
Euro/Mid East	(125)	114.43	+3.1	-32.4			
Greece	(25)	216.07	+2.8	-5.1	350.69	+2.0	-8.8
Hungary[11]	(5)	187.42	+1.2	+12.5	229.69	+1.2	+13.8
Jordan	(13)	182.96	-2.1	-1.6	233.31	-1.4	-2.6
Poland[12]	(12)	667.22	-2.9	-18.4	959.35	-2.5	-13.1
Portugal	(25)	116.85	+1.5	+2.7	129.43	-0.1	-6.3
Turkey[13]	(40)	110.85	+5.6	-47.9	1,618.03	+4.1	+11.2
Zimbabwe[14]	(5)	241.11	+0.5	+19.3	286.40	+0.6	+34.1
Composite	(891)	321.71	+3.9	-9.6			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Among the lesser known of the world's emerging markets, the Cote D'Ivoire has begun to attract attention following on from the devaluation of the CFA Franc at the start of the year. According to Blakeney Management, the devaluation set the scene for renewed economic growth, while Kleiman International notes that the Finance Ministry of the West African nation has forecast growth of 2 per cent in 1994 and 5 per cent in 1995.

However, this has to be set against inflation, presently at 30 per cent and likely to rise to 35 per cent by the year-end. A new export tax on cocoa and coffee, and the discovery of offshore oil fields which could make the country self-sufficient, will help, says Kleiman, particularly as debts to international commercial bank creditors total in excess of $5.5bn, or 85 per cent of GDP.

Blakeney Management observes that the Abidjan bourse is reviving – turnover is still only $1m a month but four times last year's level. Kleiman states that privatisation issues are coming through, the government having announced its intention to divest itself of stakes in the local affiliates of Elf, Shell and Michelin before September.

EUROPE

Consolidation pattern in senior bourses

Senior bourses consolidated after Tuesday's excitement, *writes Our Markets Staff.*

FRANKFURT subsided a little after hours, but stayed happy, the Dax index closing 12.53 higher at 2,198.92, after 2,200.34, and ending the afternoon 2.80 lower over 24 hours at an Ibis-indicated 2,190.83.

There was some profit-taking in chemicals and weakness in banks. But the broad market, again, was led higher on the session by strength in blue chips, noted Mr Hans-Peter Wodniok of Robert Fleming in Frankfurt, and turnover stayed high at DM8.8bn against DM8.5bn on Tuesday.

Daimler rose another DM17.80 on the session to DM834 ahead of a Kleinwort Benson upgrade in New York. Preussag put on DM10 more at DM476, and Thyssen DM7.50 at DM313 after hitting a new 1994 high in Tuesday's post-bourse.

Banks reflected the interim report from Bayernverein, a worse performance than that from Bayernhypo earlier in the week. Over the full day, the Bavarian banks fell by DM15 to DM418 and DM10.50 to DM422.50 respectively.

AMSTERDAM took profits in the chemicals groups DSM and Akzo Nobel as second-quarter results came in at the top end of expectations. DSM eased Fl 1.70 to Fl 145.70, having risen by almost 20 per cent since the end of June, while Akzo Nobel was steady at Fl 219.50 after a gain of 16.5 per cent over the same period.

The AEX index, however, rose 1.64 to 420.88 as investors switched to other stocks. Heineken, in particular, performed well with a rise of Fl 4.70 to Fl 238.50. Kleinwort Benson issued a buy note on the brewer ahead of, it forecast, unexciting first-half results early next month: "The summer weather arrived very late in Europe, and while this will be compensated by advances in the US and Asia/Pacific region, overall sales growth should be modest." The broker raised its 1995 forecast for the group, based on growth in Asia.

PARIS took a breather after Tuesday's strong performance and the CAC-40 index softened 2.16 to 2,115.07.

St Gobain slipped FFr5 to FFr694 on news that it was to sell its paper division to Jefferson Smurfit, while Docks de France was lifted FFr33, or 4.8 per cent, to FFr726 on rumours that J. Sainsbury, the UK supermarket chain, could launch a takeover bid.

ZURICH was unable to maintain its upward momentum, and prices eased when Wall Street opened lower. The SMI index gave up 9.0 to 2,620.7 in quiet trade.

Pharmaceuticals found demand on the view that they were undervalued. Roche certificates picked up SFr35 to SFr5,525. Banks were weak ahead of UBS's first-half figures tomorrow. UBS dipped SFr9 to SFr1,187 and CS Holding lost SFr6 to SFr576.

Holderbank moved forward SFr15 to SFr979 following several analysts' recommendations. Bank Sal Oppenheim commented that the cement and aggregates group's European markets were recovering more rapidly than expected and that the US was performing well above budget.

MILAN was unconvinced by Mr Silvio Berlusconi's parliamentary performance on Tuesday night, taking the view that the prime minister had not resolved the conflicts between his parliamentary and political interests.

The Comit index finished 3.14 ahead at 718.47, reflecting some early enthusiasm, but the real-time Mibtel index finished 110, or 1 per cent, lower at 11,352 as the more negative view took hold later in the day.

However, Mr William Cowan at James Capel expected political worries to subside in coming weeks after parliament broke for the summer next week. "The main issue that the market will be focusing on is how tough the deficit package will be in September," he said.

Losses among telecommunications issues were contained amid continuing interest ahead of the launch of Telecom Italia on August 18. Sip lost L19 to L4,589 and Stet was L35 lower at L5,390.

MADRID saw profit-taking, arbitrage and some stronger buying after the Bank of Spain had announced an interest rate cut of 15 basis points.

However, the positive trend did not last, and the general index eased 0.55 to 320.25, analysts blaming losses in the New York bond market.

DUBLIN enthused over the paper and board manufacturer Jefferson Smurfit's acquisition of La Cellulose du Pin, the paper and packaging arm of the French St Gobain giant. Smurfit rose a further 25 to 405p after a 20p advance on Tuesday.

The ISEQ general index rose 21.90 to 1,866.93. Mr Robbie Kelleher of Davy Stockbrokers in Dublin said that Tuesday's gain, after an Irish bank holiday on Monday, followed a strong overnight performance by Smurfit's US affiliate, JSC, in New York.

Written and edited by William Cochrane, John Pitt, Michael Morgan and Kai Wiecking

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Aug 3 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1417.25	1417.72	1418.36	1418.40	1418.38	1416.34	1414.15	1415.07
FT-SE Eurotrack 200	1450.74	1451.13	1450.39	1453.91	1454.07	1451.64	1451.23	1452.21

	Aug 2	Aug 1	Jul 29	Jul 28	Jul 27
FT-SE Eurotrack 100	1418.02	1393.30	1387.95	1372.12	1370.06
FT-SE Eurotrack 200	1450.53	1421.84	1415.61	1410.54	1408.88

Base 1000 (26/10/90); High/day: 100 - 1418.[illegible]; 200 - 1454.[illegible] Low/day: 100 - 1413.71 200 - 1448.[illegible]

ASIA PACIFIC

Nikkei eases as Shanghai A index adds 20%

Tokyo

Cautious trading around the 20,600 level limited activity and the Nikkei 225 average lost moderate ground after fluctuating within a narrow range, *writes Emiko Terazono in Tokyo.*

The index closed 27.40 easier at 20,632.73 after a day's low of 20,592.22 in the morning session and a high of 20,729.25 in the afternoon. Profit-taking orders around the 20,800 mark discouraged active buying, although some individual investors, encouraged by the dollar's rise above Y100 since June 28, bought speculative favourites.

Volume rose from 259m shares to 308m. Foreign investors, sellers during the past few weeks, were net buyers but domestic institutions were seen on the selling side.

In spite of the decline in the Nikkei 225, the Topix index of all first section stocks put on 0.71 at 1,653.31 and the Nikkei 300 was 0.19 firmer at 300.35. Rises led falls by 523 to 452, with 195 issues unchanged. In London, later, the ISE/Nikkei 50 index gained 3.46 at 1,343.71.

Overseas investors joined in the buying in Mitsubishi Oil shares, which have been actively traded recently by speculative individuals on the company's discovery of two oil wells off the coast of Vietnam. The issue was the day's most active and rose Y30 to Y1,200.

Nippon Steel also gained on foreign buying, adding Y8 at Y353. Other steels were also firm, with Sumitomo Metal Industries rising Y7 to Y310 and NKK Y5 to Y266.

Profit-taking depressed some high-technology and export-orientated stocks which saw bargain hunting earlier in the week. Fujitsu slipped Y10 to Y1,060 and Sony Y60 to Y5,940, while Toyota Motor lost Y10 at Y2,140.

Nippon Telegraph and Telephone ended Y1,000 down at Y861,000 on profit-taking. The issue rose earlier in the day on reports that the government would create a task force on high-technology and telecommunications infrastructure.

East Japan Railway moved ahead on hopes of higher profits due to the reported listing of Japan Telecom, in which it has a leading stake, but met profit-taking later. It finished a net Y2,000 lower at Y525,000 after peaking at Y533,000, a high for the year.

In Osaka, the OSE average added 81.88 at 22,993.18 in volume of 70m shares. Export-orientated issues rose on the higher dollar against the yen.

Roundup

Profit-taking was a theme common to many regional markets.

SHANGHAI's A share index, however, resumed its advance, adding 20.2 per cent and prompting expectations of further strong rises in coming days. The index, which had paused on Tuesday after Monday's 36.1 per cent jump, broke through the psychological 500-point barrier to close 96.39 higher at 529.80.

The Shenzhen A index rose 20.61, or 16.4 per cent, to 146.41. China's B shares, available to foreigners, also benefited from the improved sentiment. Shanghai's B index gained 0.47 at 73.83 and its Shenzhen counterpart rose 1.17 to 101.31.

SEOUL remained concerned about the central bank's tight monetary policy, and institutional inactivity left share prices lower in extremely thin trade. The composite index ended 4.08 off at 923.47.

HONG KONG extended losses during an afternoon of profit-taking after prices encountered strong technical resistance around the 9,750 Hang Seng index level. It lost 109.14, or 1.1 per cent, at 9,585.89. Turnover came to HK$4.3bn, against HK$5.6bn on Tuesday.

SYDNEY's three-day rally came to an end on a fall in the price of bullion. The All Ordinaries index shed 14.6 to 2,072.3. Turnover was A$327m.

Brokers remarked that a $4 fall in the gold bullion price had coincided with a correction on the bourse after its 45-point gain over the past three trading days. In the golds sector, Poseidon Gold dipped 10 cents to A$3.35 and Plutonic stood at a three-week low, down 25 cents at A$6.15.

SINGAPORE was higher, although some late profit-taking had emerged to take prices off their best levels.

The Straits Times Industrial index closed 3.83 up at 2,267.13 in volume of 198.3m shares.

BOMBAY ended lower, though above the day's worst levels, which were triggered by political uncertainty following reports that the finance minister had threatened to resign. The BSE 30-share index closed 28.29 down at 4,281.64, having recovered from a midsession low of 4,265.

KUALA LUMPUR saw buyers return after an early bout of profit-taking, and the composite index finished 3.87 points up at 1,079.06.

TAIPEI was sharply lower on a bout of heavy profit-taking. However, many brokers remained optimistic about the market's short-term direction, although they agreed that it could enter a consolidation phase.

The weighted index lost 156.00, or 2.3 per cent, at 6,723.56, after touching 6,711.93. Turnover was T$129.7bn.

MANILA recovered from an early fall to close higher, helped by strong buying of blue chips and second-line issues. The composite index added 17.75 at 2,884.28 in turnover of 1.7bn pesos.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY AUGUST 2 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY AUGUST 1 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	175.63	0.1	169.12	111.48	144.40	158.77	0.3	3.47	175.45	169.06	108.63	143.61	158.30	198.15	139.24	144.59
Austria (17)	189.44	0.2	182.42	120.24	155.75	155.70	0.6	1.03	189.07	182.17	118.14	154.75	154.73	195.41	157.78	157.78
Belgium (37)	175.86	0.6	169.36	111.64	144.60	141.14	1.0	3.92	174.89	168.52	109.28	143.14	139.76	176.67	143.62	145.04
Canada (105)	128.07	0.6	123.32	81.29	105.29	126.64	0.7	2.63	127.32	122.68	79.55	104.20	127.96	145.31	120.54	126.28
Denmark (33)	274.61	-0.1	264.43	174.30	225.77	232.23	0.1	1.28	274.92	264.89	171.78	225.01	231.97	273.79	211.28	215.96
Finland (24)	163.20	0.3	157.16	103.59	134.18	178.51	0.8	0.79	162.65	156.72	101.63	133.12	177.08	163.27	102.16	102.15
France (97)	180.72	1.5	174.02	114.71	148.58	153.21	2.0	2.87	178.01	171.52	111.23	145.69	150.26	185.37	157.64	157.64
Germany (58)	146.36	1.0	140.94	92.90	120.33	120.35	1.4	1.72	144.98	139.69	90.59	118.66	118.66	147.07	114.98	114.98
Hong Kong (56)	394.98	0.2	380.35	250.72	324.76	391.75	0.2	3.09	394.23	379.86	246.33	322.67	391.00	506.56	281.99	281.99
Ireland (14)	202.14	1.2	194.65	128.30	166.19	187.72	2.1	3.25	199.67	192.38	124.77	163.43	183.92	209.33	160.06	160.06
Italy (61)	86.78	2.4	83.56	55.08	71.36	102.77	2.9	1.48	84.72	81.63	52.94	69.34	99.90	87.78	67.86	70.62
Japan (469)	164.29	-0.1	158.20	104.28	135.07	104.28	1.5	0.73	164.49	168.49	102.78	134.63	102.78	170.10	124.54	157.71
Malaysia (98)	513.61	1.4	494.58	326.01	422.27	512.07	1.3	1.62	506.31	487.85	316.37	414.40	505.69	621.83	360.23	360.23
Mexico (18)	2119.52	0.8	2040.96	1345.33	1742.56	7870.87	0.7	1.70	2103.38	2026.67	1014.28	1721.52	7816.16	2647.06	1610.91	1610.91
Netherland (27)	214.11	0.9	206.18	135.91	176.04	173.45	1.4	3.26	212.09	204.36	132.53	173.59	171.00	214.11	169.90	170.01
New Zealand (14)	70.58	2.7	67.96	44.80	58.03	62.17	2.7	3.85	68.75	66.25	42.96	56.27	60.56	77.59	55.38	55.38
Norway (23)	211.74	0.8	203.90	134.40	174.08	196.37	1.2	1.67	210.01	202.35	131.22	171.89	186.10	211.74	159.54	160.55
Singapore (44)	358.25	1.5	344.98	227.40	294.54	248.88	1.8	1.89	352.91	340.05	220.52	288.85	245.05	378.92	254.30	254.30
South Africa (59)	291.69	2.0	280.88	185.15	239.82	290.73	0.5	2.14	286.07	275.63	178.75	234.13	289.18	292.64	175.93	213.87
Spain (42)	149.06	0.0	143.53	94.61	122.55	147.04	0.5	3.92	149.12	143.68	93.18	122.05	146.37	166.79	118.32	118.32
Sweden (36)	226.49	1.7	218.09	143.76	186.21	259.59	1.7	1.54	222.76	214.64	139.19	182.33	255.16	231.36	175.69	175.69
Switzerland (47)	160.61	1.4	154.65	101.94	132.04	132.81	1.6	1.83	158.47	152.69	99.02	129.70	130.69	178.56	127.57	128.87
United Kingdom (204)	198.31	1.9	190.96	125.87	163.04	190.96	1.6	3.96	194.66	187.56	121.63	159.32	187.96	214.96	178.48	178.48
USA (519)	188.24	-0.1	181.26	119.48	154.76	188.24	-0.1	2.86	188.38	181.49	117.69	154.16	188.36	198.04	178.95	184.00
EUROPE (720)	174.47	1.4	168.01	110.75	143.44	158.00	1.7	2.94	172.00	165.73	107.48	140.78	155.41	178.58	147.04	147.04
Nordic (116)	221.51	1.0	213.30	140.60	182.11	217.21	1.2	1.37	219.37	211.37	137.07	179.54	214.72	221.91	167.10	167.10
Pacific Basin (749)	173.12	0.0	166.70	109.88	142.33	114.76	1.3	1.05	173.12	166.81	108.18	141.70	113.24	176.85	134.79	160.85
Euro-Pacific (1469)	173.56	0.6	167.13	110.16	142.69	131.97	1.5	1.85	172.53	166.23	107.80	141.20	130.05	173.99	143.86	155.07
North America (624)	184.50	0.0	177.67	117.11	151.69	184.16	0.0	2.85	184.57	177.84	115.33	151.07	184.22	192.73	175.67	180.43
Europe Ex. UK (516)	157.64	1.2	151.79	100.06	129.60	137.97	1.6	2.35	155.79	150.11	97.35	127.51	135.62	157.64	127.50	127.50
Pacific Ex. Japan (280)	259.71	0.8	250.08	164.85	213.52	232.38	0.7	2.78	258.05	248.65	161.25	211.21	230.85	290.21	192.27	192.27
World Ex. US (1651)	174.62	0.6	168.15	110.84	143.57	135.39	1.4	1.87	173.54	167.21	108.43	142.03	133.48	174.76	145.58	155.59
World Ex. UK (1966)	176.15	0.2	169.62	111.81	144.82	149.07	0.8	2.03	175.74	169.33	109.81	143.84	148.37	178.15	155.98	162.68
World Ex. So. Af. (2111)	177.41	0.4	170.83	112.61	145.85	150.91	0.8	2.22	176.76	170.31	110.45	144.67	149.54	178.58	158.54	163.65
World Ex. Japan (1701)	187.62	0.6	180.67	119.09	154.25	179.82	0.7	2.85	186.48	179.69	116.53	152.64	178.42	195.20	168.55	169.55
The World Index (2170)	178.11	0.4	171.51	113.05	146.43	161.95	0.9	2.21	177.43	170.95	110.86	145.22	150.56	178.97	158.85	164.09

Latest prices were unavailable for this edition.